

**Geopolitical conflict triggers sell-off across asset classes**Sector Weighting:  
**MARKET WEIGHT****GCC Fixed Income Outlook**

GCC debt capital market (DCM) conditions have weakened amid escalating Iran-related geopolitical tensions, with spreads widening to five-year highs and issuance activity moderating amid heightened volatility. According to Fitch Ratings, this deterioration comes despite the GCC accounting for c. 40% of total EM dollar issuance (excluding China) YTD as of 25<sup>th</sup> March 2026. Market yields have risen notably, with the S&P MENA Sukuk Index YTM increasing by 69 bps to 5.15% as of 27<sup>th</sup> March 2026, while the Bond Index grew by 64 bps to 5.37% during the same period. The GCC High Yield Sukuk Index recorded a sharper expansion of 194 bps to 7.76% as of 27<sup>th</sup> March 2026, reflecting greater stress in speculative-grade instruments. Liquidity conditions have softened and issuance has shifted toward alternative funding channels such as syndicated loans, which grew 12% YOY to USD 450.5 Bn in 1Q26. Despite these pressures, underlying credit fundamentals remain resilient, with around 84% of Fitch-rated GCC sukuk classified as investment-grade, 90% of issuers on Stable Outlook, and no defaults reported. GCC DCM outstanding stood at USD 1.2 Tn, with sukuk contributing 41% as of 9<sup>th</sup> March 2026, while market conditions remain sensitive to the duration and severity of the conflict.

In March 2026, total bond issuance stood at USD 1.1 Bn, entirely driven by the Financial Institutions sector, which accounted for 100.0% of the total. The issuances were led by Omniyat Sukuk 1 Ltd, which raised USD 600 Mn at a 7.25% yield (par) with a spread of +363 bps over US Treasuries, and Commercial Bank PSQC, which raised USD 500 Mn at a 6.25% yield with a reset spread of +265.6 bps, with both transactions witnessing pricing tightening from initial guidance driven by strong investor demand.

In the January 2026 meeting, the US Federal Reserve maintained interest rates at 3.50%–3.75%, with its outlook indicating limited or delayed rate cuts due to geopolitical-driven inflation risks, although markets continue to expect at least one 25 bps cut in 2026. The US 10-year Treasury yield increased sharply during March 2026, rising by c.25 bps over the month to c.4.30%, driven by persistent inflation concerns, a more cautious Federal Reserve stance, and upward pressure on energy prices amid escalating geopolitical tensions. Meanwhile, the 5-year CDS increased across all the GCC countries. GCC dollar credit spreads have widened by around 30 bps from tight levels of 75 bps before the ongoing geopolitical uncertainties, reflecting higher risk amid geopolitical tensions. S&P UAE PMI increased from 54.9 in January 2026 to 55.0 in February 2026, the highest level in a year, signalling strong business growth. New orders saw a notable rise in February, with growth remaining strong and only slightly below January's near two-year high. International orders supported overall growth, and modest expansion in export sales was primarily driven by domestic demand. Non-oil businesses expanded input inventories for the second consecutive month, supported by faster supplier delivery times. Additionally, non-oil businesses raised prices for the eighth straight month, though only marginally, as competitive pressures limited pricing power. Backlogs rose sharply, driven by strong orders and project activity, rebounding from January's low. Saudi Arabia's non-oil private sector PMI declined from 56.3 in January 2026 to 56.1 in February 2026, indicating a mild slowdown, though business conditions remained strong overall and well above the 50.0 threshold. Output growth eased to a six-month low but remained strong, supported by improved demand and new project approvals. Order books grew in February, driven mainly by domestic demand, with support from government policies, while international orders also rose but at a slower pace. Employment growth remained strong, accelerating to a four-month high and ranking among the strongest on record in the non-oil sector. Businesses faced higher supplier and metal costs, but overall purchase price inflation eased due to lower fuel expenses and successful vendor negotiations. Rising wage costs drove a sharp increase in selling prices in February, with the pace matching the fastest seen since May 2023.

### Gold Outlook

Gold prices decreased 11.57% MOM in March 2026, closing the month at USD 4,668.06 per ounce, marking the sharpest monthly decline in over 17 years. Gold prices have cooled off after breaching the all-time high of USD 5,600 per ounce at the start of 2026. At the start of the month, gold prices climbed as investors shifted toward safe-haven assets amid escalating tensions involving the US, Israel, and Iran. However, prices later declined as expectations that the Federal Reserve would keep interest rates unchanged strengthened the US dollar, making gold more expensive for buyers. Subsequently, gold prices rebounded modestly, supported by renewed safe-haven demand amid escalating geopolitical tensions involving the US, Israel, and Iran. Additionally, softer US labor market data reinforced expectations of a pause in interest rate hikes, further lending support to the precious metal. In the following week, gold prices gained as the US indicated war could end soon, which put a lid on rising energy prices, curbing the fear of higher inflation. However, gold prices again resumed downward movement due to a rise in energy prices owing to an increase in geopolitical tensions in West Asia, lowering expectations of a Fed rate cut. This led to increased selling pressure due to margin calls, while a strengthening US dollar made gold more expensive for buyers, further weighing on prices. Post mid-month, gold prices remain rangebound ahead of key central bank decisions. However, gold prices fell sharply following a hawkish US Federal Reserve stance signalling prolonged higher interest rates, which strengthened the dollar and weighed on demand for gold. Despite ongoing geopolitical risks, including disruptions in the Strait of Hormuz and rising oil-driven inflation concerns, gold struggled to maintain upward momentum. Expectations of higher interest rates diminished its appeal as a non-yielding asset compared to interest-bearing alternatives. As March progressed, gold prices remained broadly stable, initially declining amid escalating geopolitical tensions that fuelled inflation concerns and higher rate expectations. Prices later recovered on central bank buying and easing geopolitical risks, though gains were capped by a stronger US dollar. Gold edged higher last week on a weaker US dollar. Further, gold prices extended gains amid signs of de-escalation in the US–Israel and Iran conflict, which eased inflation concerns and supported rate cut expectations.

### Oil Outlook

Oil prices surged 63.3% MOM to USD 118.35 per barrel in March 2026, driven by intense geopolitical tensions and significant supply disruptions. Prices rose sharply at the beginning of the month, supported by OPEC+ announcing a lower-than-expected production increase of 206 thousand bpd and the closure of the Strait of Hormuz, a critical route accounting for nearly 20% of global oil trade. Escalating military conflict in West Asia, including attacks on oil infrastructure and tankers, along with Iraq's output cut of around 1.5 Mn bpd, further tightened supply and pushed prices toward USD 120 per barrel, a level last seen in 1H22. Prices remained highly volatile throughout the month, influenced by shifting geopolitical developments, including temporary signs of de-escalation, ceasefire expectations, and renewed military escalation involving the US, Iran, and regional players. While the IEA's release of c. 400 Mn barrels of strategic reserves and partial resumption of vessel movement through the Strait of Hormuz provided some relief, persistent tensions, ongoing attacks on energy infrastructure, and concerns over secure oil flows kept the risk premium elevated. Additionally, expectations of prolonged conflict and a hawkish Fed stance amid rising inflation further supported prices, particularly toward the end of the month.

## Our Top Bond/Sukuk Picks:

### Top Bond Picks

No	Issuer Name	Ticker	ISIN	Yield to Maturity	Amount Issued	Fitch Rating	Moody Rtg	S&P Rating	Cntry of Risk	Coupon	Maturity
1	Saudi Electricity Sukuk Programme Co	SECO	XS2608638602	6.11	1,500,000,000	A+	Aa3	N/A	SA	5.68	4/11/2053
2	Esic Sukuk Ltd	ESICSU	XS2747181613	6.02	700,000,000	N/A	Baa3	N/A	AE	5.83	2/14/2029
3	Saudi Electricity Global Sukuk Co 3	SECO	US80413MAB00	5.94	1,000,000,000	A+	Aa3	A+	SA	5.50	4/8/2044
4	Sharjah Sukuk Program Ltd	SHARSK	US81953JAA34	5.90	750,000,000	N/A	Ba1	BBB-	AE	5.43	4/17/2035
5	Sharjah Sukuk Program Ltd	SHARSK	XS2680379695	5.77	900,000,000	N/A	Ba1	BBB-	AE	6.09	3/19/2034
6	DP World Crescent Ltd	DPWDU	US260979AA70	5.70	1,500,000,000	BBB+	Baa2	N/A	AE	5.50	5/8/2035
7	Aldar Investment Properties Sukuk Ltd	ALDAR	XS2816816305	5.67	645,000,000	N/A	Baa1	N/A	AE	5.50	5/16/2034
8	SRC Sukuk Ltd	SRC SUK	XS3010536145	5.41	1,000,000,000	A+	Aa3	N/A	SA	5.38	2/27/2035
9	Saudi Electricity Sukuk Programme Co	SECO	XS2993847131	5.38	1,250,000,000	A+	Aa3	N/A	SA	5.49	2/18/2035
10	Almarai Co JSC	ALMARA	XS2641777235	5.31	750,000,000	N/A	Baa3	BBB-	SA	5.23	7/25/2033
11	EDO Sukuk Ltd	ENEDEV	US2813512A42	5.25	1,000,000,000	BBB-	N/A	BBB-	OM	5.88	9/21/2033
12	Suci Second Investment Co	PIFKSA	XS2706163305	5.22	1,250,000,000	A+	Aa3	N/A	SA	6.25	10/25/2033
13	EDO Sukuk Ltd	ENEDEV	XS2852997993	5.16	750,000,000	BBB-	N/A	BBB-	OM	5.66	7/3/2031
14	KSA Sukuk Ltd	KSA	US48266XAK19	5.10	2,250,000,000	A+	Aa3	N/A	SA	5.25	6/4/2034

Data Source: Bloomberg

### Top SUKUK Picks

S No.	Issuer Name	Ticker	ISIN	Yld to Mty (Mid)	Amt Out	Fitch Rating	Moody Rtg	S&P Rating	Country of Risk	Coupon	Maturity
1	Saudi Government International Bond	KSA	US80413TBH14	6.14	4,750,000,000	A+	Aa3	N/A	SA	5.75	1/16/2054
2	DP World Ltd/United Arab Emirates	DPWDU	US23330JAA97	6.03	1,750,000,000	BBB+	Baa2	NR	AE	6.85	7/2/2037
3	Abu Dhabi Government International Bond	ADGB	XS2811094213	5.78	1,750,000,000	AA	N/A	AA	AE	5.50	4/30/2054
4	Abu Dhabi National Energy Co PJSC	TAQAUH	US003865AB88	5.36	912,487,000	AA	Aa3	NR	AE	6.50	10/27/2036
5	BSF Finance	BSFR	XS2493296813	5.31	700,000,000	A-	A1	N/A	SA	5.50	11/23/2027
6	National Bank of Ras Al-Khaimah PSC/The	RAKBNK	XS2765600262	5.23	600,000,000	BBB+	Baa1	N/A	AE	5.38	7/25/2029
7	SNB Funding Ltd	SNBAB	XS3019019416	5.15	750,000,000	A	N/A	A	SA	4.86	3/17/2030
8	Saudi Government International Bond	KSA	US80413TBL26	5.15	4,000,000,000	A+	Aa3	N/A	SA	5.63	1/13/2035
9	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS2677030194	4.96	650,000,000	A+	N/A	A+	AE	5.50	1/12/2029
10	Saudi Government International Bond	KSA	US80413TBA60	4.91	2,500,000,000	A+	Aa3	N/A	SA	5.50	10/25/2032
11	Emirates NBD Bank PJSC	EBIUH	XS2625209270	4.86	750,000,000	A+	A1	N/A	AE	5.88	10/11/2028
12	Abu Dhabi Commercial Bank PJSC	ADCBUH	XS3086362756	4.84	600,000,000	A+	N/A	A+	AE	4.67	6/10/2030
13	Emirates NBD Bank PJSC	EBIUH	XS2976518972	4.78	750,000,000	A+	A1	N/A	AE	4.77	1/22/2030
14	Abu Dhabi Government International Bond	ADGB	US29135LAT70	4.72	1,500,000,000	AA	N/A	AA	AE	5.00	4/30/2034
15	Saudi Government International Bond	KSA	US80413TBJ79	4.57	5,000,000,000	A+	Aa3	N/A	SA	5.13	1/13/2028

Data Source: Bloomberg

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## MENA credit outlook

### **Bond markets rally on risk-off sentiment driven by Middle East conflict**

US Treasury yields declined sharply as investors moved toward safe-haven assets amid escalating geopolitical tensions in the Middle East. The 10-year yield dropped to around 3.926%, marking its lowest level in 11-months, while the two-year yield fell to about 3.365%, the lowest since August 2022, before edging slightly higher.

### **Bidaya Finance launched USD 53.28 Mn sukuk issuance in Saudi Arabia**

Saudi-based Bidaya Finance issued SAR 200 Mn through a sukuk issuance, which will be listed on the Saudi Exchange's debt market. The subscription period commenced from March 8 to 10, 2026, and the offering was made available to retail, corporate, and institutional investors. The sukuk provided an annual profit rate of 7.1%, with each unit priced at SAR 1,000 and a minimum investment requirement of SAR 5,000.

### **DAE secured USD 2.8 Bn revolving credit facilities maturing in 2031**

Dubai Aerospace Enterprise Ltd secured new long-term unsecured revolving credit facilities totaling USD 2.8 Bn, increasing its total revolving credit capacity to around USD 4 Bn, while the facilities will mature in March 2031. The new facilities replace an existing USD 1.4 Bn facility and include commitments in both US dollars and UAE dirhams, comprising USD 2.3 Bn in conventional funding and USD 0.5 Bn in Shariah-compliant liquidity from 15 financial institutions. Emirates NBD and First Abu Dhabi Bank acted as lead arrangers and bookrunners for the conventional tranche.

### **Estithmar Holding Raises QAR 105mn via Sukuk Issuance Under Its Program**

Qatari investment company Estithmar Holding issued the fourth tranche of sukuk under its QAR 3.4 Bn sukuk programme, with the tranche amounting to QAR 105 Mn and listed on the London Stock Exchange. The issuance forms part of the programme initiated in August 2024, while the company raised QAR 500 Mn in the first tranche at an annual profit rate of 8.75%.

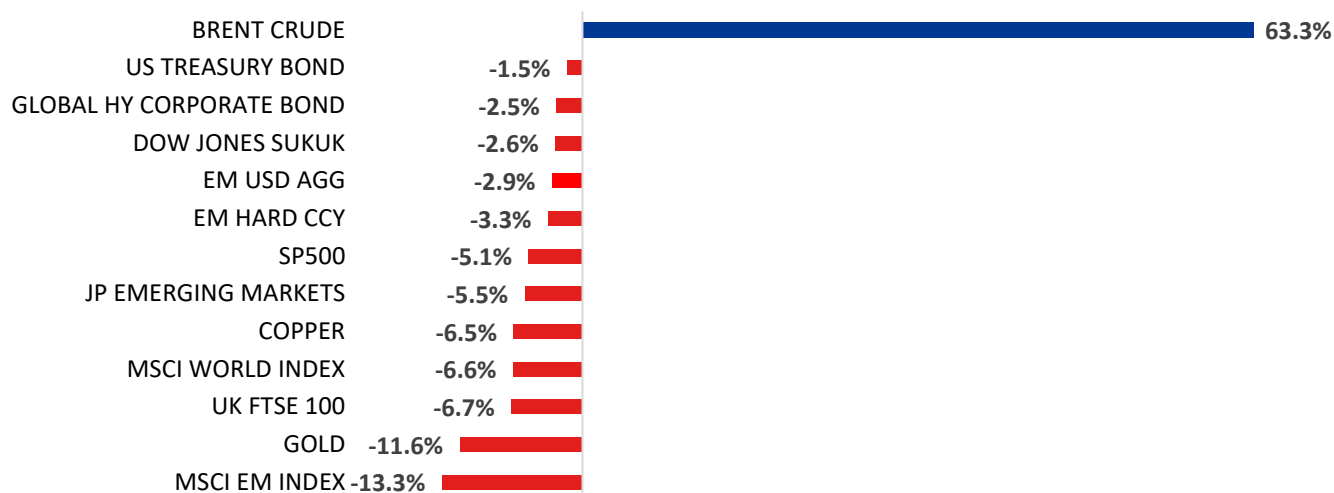
### **Emirates NBD secured USD 2.25 Bn in long-term syndicated financing**

Emirates NBD completed a USD 2.25 Bn long-term funding transaction, comprising a USD 1.75 Bn five-year sustainability-linked syndicated loan and a USD 500 Mn five-year commodity Murabaha facility. The sustainability-linked loan, initially launched at USD 1 Bn, saw strong demand and was significantly oversubscribed, enabling an upsizing. The transaction drew participation from multiple international lenders across key regions, with leading global and regional banks acting as coordinators and arrangers.

## Global Asset Performance

Global asset classes recorded broad-based losses in March 2026, with equities leading the downturn, particularly across emerging markets. The MSCI Emerging Markets Index declined by 13.3% MOM, primarily driven by significant corrections in South Korea, India, and Taiwan. Developed market equities also weakened during the period, with the MSCI World Index declining 6.6% MOM, largely impacted by sharp declines in Japan and the UK. The S&P 500 similarly registered a decline of 5.1% MOM. Within developed markets, Japan's Nikkei 225 and the UK's FTSE 100 were key contributors to the overall negative performance. Fixed income markets were not immune to the risk-off sentiment, with global bond indices also facing turbulence in March 2026, reflecting rising yields and heightened market volatility amid ongoing geopolitical and macroeconomic uncertainties. The JP Morgan EMBI declined 5.5% MOM, while EM hard currency debt and EM USD aggregate bonds declined 3.3% and 2.9% MOM, respectively. Additionally, US Treasuries also declined 1.5% MOM in March 2026, however, performance remained largely stable on YTD basis. The US economy's position as a net energy exporter provides a degree of insulation from the surge in global energy prices, particularly when compared to European and Asian economies. Furthermore, signs of a cooling US labour market are expected to help moderate inflationary pressures, supporting stability in fixed income markets. In credit markets, the Dow Jones Sukuk Index declined 2.6% MOM in March after advancing in the previous month, while global high yield corporate bonds declined 2.5% MOM. At its March meeting, the Federal Open Market Committee (FOMC) kept the Fed funds rate unchanged, while reiterating its expectation of one rate cut over the course of the year. Commodities, in contrast to other asset classes, delivered strong performance during the month, supported by rising geopolitical tensions and supply-side disruptions, particularly in energy markets. Copper declined 6.5% MOM, while gold recorded a 11.6% MOM loss, due to geopolitical tensions between Iran and the US and increasing oil prices. Brent crude increased 63.3% MOM, driven by fluctuating geopolitical developments and supply dynamics. Oil and gas prices surged sharply following the escalation of conflict in the Middle East, which has damaged critical energy infrastructure and effectively disrupted transit through the Strait of Hormuz. The disruption extended beyond energy markets, with grain prices also rising due to the Strait's strategic importance for the transportation of key agricultural commodities essential to global food supply chains. Financial markets have experienced heightened volatility year-to-date, driven by multiple crosscurrents. During the fourth-quarter earnings season, mega-cap technology companies came under increased scrutiny, particularly regarding the sustainability of returns amid rising capital expenditure commitments. Trade policy uncertainty also resurfaced after the Supreme Court of the United States ruled against the use of the International Economic Emergency Powers Act (IEEPA) to justify the "reciprocal" tariffs announced in 2025. In response, the US administration implemented a uniform 10% tariff on all imports. Most notably, escalating geopolitical tensions linked to the Middle East conflict have significantly disrupted global oil and gas supply, intensifying inflationary concerns. As a result, both equity and fixed income markets witnessed broad-based sell-offs, with investors increasingly focused on upside inflation risks rather than downside growth concerns. This shift in sentiment led to the unwinding of previously crowded trades, with assets such as gold and emerging market equities declining, while the US dollar strengthened.

Figure 1: Global Asset Performance (YTD in FY2026)

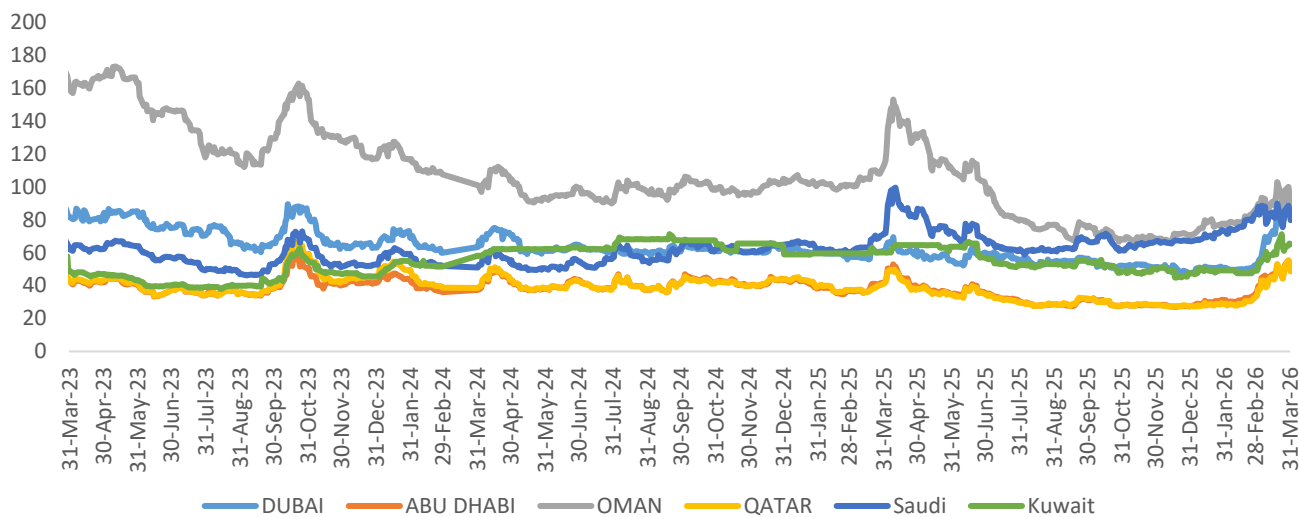


Source: Bloomberg

### 5-Year CDS

The 5-year CDS spread expanded across all GCC Countries during March 2026. Dubai recorded the highest expansion of 76.44% MOM in March 2026. Qatar recorded the second-highest expansion of 66.46% on a MOM basis in March 2026. Followed by Abu Dhabi and Kuwait, which recorded an expansion of 58.48% and 33.87%, respectively, on a MOM basis in March 2026. Similarly, Oman recorded an expansion of 13.48% on a MOM basis. Saudi Arabia recorded an expansion of 3.36% MOM in March 2026.

Figure 2: GCC Countries- 5 Year CDS



Source: Bloomberg

Sovereigns	Dubai	Abu Dhabi	Oman	Kuwait	Qatar	Saudi
MTD (%)	76.44%	58.48%	13.48%	33.87%	66.46%	3.36%

## Banking Sector

### Abu Dhabi Commercial Bank faced disruption in mobile app and contact centre services

Abu Dhabi Commercial Bank experienced a technical disruption that impacted its mobile banking application and contact centre operations. Despite the issue, customers could continue using banking services through other available channels. The issue followed a similar disruption reported a day earlier, linked to an IT outage in the Middle East.

### Sharjah Islamic Bank plans to issues capital raise through rights issue

Sharjah Islamic Bank intends to raise up to AED 2.59 Bn through a rights issue aimed to reinforce its capital position and support balance sheet growth. The issuance will increase the bank's share capital from AED 3.23 Bn to AED 4.31 Bn via more than 1 Bn new shares. The shares will be priced at AED 2.40 each, including a nominal value of AED 1.00 and a premium of AED 1.40, offered at a discount to the prevailing market price. Emirates NBD Capital will act as the lead manager for the transaction.

### Qatar Central Bank introduced liquidity measures amid the Iran conflict

Qatar Central Bank announced a set of measures to support liquidity and financial stability amid heightened geopolitical risks. The reserve requirement on deposits has been lowered from 4.5% to 3.5%, helping to release additional funds into the banking sector. The central bank will also extend unlimited QAR liquidity through repo facilities, alongside the launch of term repo options with maturities of up to three months to support liquidity planning. Furthermore, banks have been allowed to grant affected borrowers a deferral on principal and interest repayments for a period of up to three months.

## Corporate Sector

### AD Ports expects higher volumes as maritime traffic reroutes

AD Ports Group expects increased volumes across its global maritime network as vessels shift away from the Strait of Hormuz due to disruptions linked to the US Israel/Iran conflict. Although vessel calls at Khalifa Port could see a slight decline, operations remain fully functional. Most of AD Ports' 122 vessels outside the strait will continue their usual routes, while those currently in the strait will maintain intra-Gulf services.

### Judan purchased 50.1% stake in US investment firm Alpha Wave

Abu Dhabi-based Judan Financial, a subsidiary of IHC, has acquired a 50.1% stake in US investment management firm Alpha Wave Global. The acquisition aims to strengthen Judan and its parent company's presence in the US market, support growth initiatives, enhance institutional partnerships, and create new investment opportunities. Alpha Wave, based in Miami, manages USD 29 Bn in assets across private equity, private credit, public markets, and insurance, with holdings including SpaceX, OpenAI, Anthropic, Cerebras, and Ramp.

### Tahweel agreed to acquire a Saudi industrial group from Tasnee

Tahweel Holding agreed to acquire 100% of Al Rowad Industrial Transformation Company from Tasnee for SAR 700 Mn. The company is a prominent player in the plastic conversion industry, with subsidiaries serving the packaging, agriculture, infrastructure, and industrial sectors. The acquisition is intended to optimize Tasnee's business portfolio, improve operational

efficiency, and better allocate capital. The transaction is subject to regulatory approvals and other standard closing requirements, with the payment to be made in cash.

#### **ADNOC Logistics and Services took delivery of LNG carrier Arada**

ADNOC Logistics and Services received early delivery of Arada, a 175,000 cubic metres LNG carrier built by Jiangnan Shipyard in China, while the vessel is part of its ongoing fleet expansion. The company has ordered six LNG carriers under this programme, with Arada representing the fifth delivery. Moreover, the vessel has started operations following delivery.

#### **Rating Outlook**

- **Abu Dhabi's** Long-Term Foreign-Currency Issuer Default Rating (IDR) has been confirmed by Fitch Ratings at 'AA' with a Stable Outlook. The 'AA' grade reflects Abu Dhabi's excellent fiscal and external metrics, as well as a high GDP per capita, which are offset by the country's substantial reliance on hydrocarbons, a weak but developing economic policy framework, and low governance indices when compared to peers. The government debt of Abu Dhabi is the lowest among Fitch-rated sovereigns, while sovereign net foreign assets are among the greatest. Lastly, Moody's assigned Aa2 rating to the UAE government with a stable outlook. This is a testament that depicts the nation's financial and economic vision and policies success and the strength and stability of its economic, financial and credit sectors.
- Fitch revised **Oman's** credit rating to "**BBB-** **from "BB+**" and revised its outlook from **positive to stable**. Fitch cited sustained strengthening of public and external balance sheet and increased confidence in the authorities' commitment to fiscal prudence even in a lower oil price environment. Since 2020, Oman has sharply reduced government debt from about 68% of GDP to around 36% in 2025, supported by disciplined fiscal management and policy reforms. Fitch expects moderate budget deficits of around 1% of GDP in 2026–2027, a broadly stable debt trajectory well below the 'BBB' median, and further institutionalization of fiscal discipline through a new medium-term fiscal plan. The rating is supported by relatively high GDP per capita and improved debt metrics, while constraints remain Oman's heavy reliance on oil revenues and still-modest financial buffers amid hydrocarbon price volatility. Moody's recently upgraded Oman's long-term issuer and senior unsecured ratings to "**Baa3**" **from "Ba1"**, citing expected enhancements in the country's debt position and improved resilience to lower oil prices. However, Moody's revised the country's outlook to "stable" from "positive", as Oman's fiscal and economic outlook remains exposed to risks stemming from its continued heavy reliance on the hydrocarbon sector and potential declines in global oil demand and prices. S&P Global Ratings upgraded Oman's long-term ratings from 'BB+' to 'BBB-' with a stable outlook due to continued deleveraging of public sector entities. It also raised the short-term ratings on Oman from 'B' to 'A-3', while it revised the transfer and convertibility assessment from 'BBB-' to 'BBB'. The rating upgrade is attributable to the deleveraging balance sheet of the Omani government and several state-owned enterprises (SOEs) coupled with the commitment of the authorities to advance its longer-term structural reform agenda to solidify its economy.
- S&P Global Ratings revised its credit rating outlook on **Bahrain** from **negative to stable**. The rating agency affirmed Bahrain's long-term foreign and local currency sovereign credit ratings at 'B' with a stable outlook. The downgrade of the rating is driven by the growing risks to the fiscal position and the government's ability to service and refinance debt. The agency also cited that market volatility and weak financial conditions will lead higher interest burden on the government. It also expects the fiscal deficit to remain elevated due to lower oil prices, ongoing maintenance activity at the key Abu Sa'fah oil field and higher social spending. S&P expects the fiscal deficit to widen to 7.6% of GDP in 2025 compared to 5.8% in 2024. Fitch has recently revised the ratings on Bahrain's long-term foreign currency issuer default rating to B from B+ with an outlook of STABLE from NEGATIVE. The revision in the credit rating is mainly due to mounting fiscal pressures, growing debt levels, coupled with high interest burden and delayed fiscal reforms.
- Fitch Ratings affirmed **Kuwait's** long-term foreign-currency issuer default ratings, or IDR, to 'AA-' with a stable outlook. This is due to the Gulf state's fundamental issues being worsened by continued political limitations on decision-making.

Since 2017, the Gulf state has been debating debt legislation, demonstrating the slowness with which decisions are made. Kuwait's debt is expected to climb to about 50% of GDP after the debt law is approved, according to the credit rating agency, up from the current 10%. The Kuwaiti administration has been attempting to adopt new public debt legislation to alleviate the country's liquidity constraints, but the bill has been continually blocked by parliament. S&P Global Ratings upgraded Kuwait's long-term sovereign credit rating to '**AA-**' with a **stable** outlook, reflecting expectations that the government will continue implementing fiscal and monetary reforms under its Vision 2035 strategy.

- **Saudi Arabia's** Long-Term Foreign-Currency Issuer Default Rating (IDR) remained unchanged at 'A+' by Fitch Ratings, with a 'Stable' outlook. The key reasons cited by the rating agency for the rating are strong fiscal and external balance sheet, low government debt and sizable foreign reserve. The growth in the non-oil sector remains robust and the reform momentum is strong, while rising deficit, continued reliance on oil and external borrowing pose challenges. Moody's Investors Service affirmed Saudi Arabia's credit rating outlook at stable, noting the kingdom's continuous progress in economic diversification coupled with the strong growth of its non-oil sector. According to a statement, Moody's maintained the sovereign's rating at Aa3, the fifth-highest rating citing the country's efforts to diversify the economy away from oil. S&P Global Ratings revised Saudi Arabia's outlook from positive to stable. It upgraded KSA's long-term foreign and local currency unsolicited sovereign credit rating from 'A' to 'A+' and affirmed short-term ratings at 'A-1'.
- In January 2024, Moody's upgraded **Qatar's** local and foreign-currency Long-Term issuer and foreign currency senior unsecured debt ratings to Aa2 from Aa3. It also changed the outlook from positive to stable. The rating is attributed to significant improvements in Qatar's fiscal metrics during 2021-2023. Moody's anticipates that the improvement in Qatar's debt burden and debt-service metrics from 2021 to 2023 will continue into the medium term. However, Fitch placed Qatar's 'AA' Long-Term Foreign- and Local-Currency IDRs, along with related debt instruments, on Rating Watch Negative, citing heightened uncertainty over the country's security environment following the Iran conflict and potential risks to its oil and gas infrastructure. Fitch noted that this review was conducted ahead of its next scheduled review on 4 September 2026 due to a material change in credit conditions, highlighting increased downside risk to the rating in the near term.

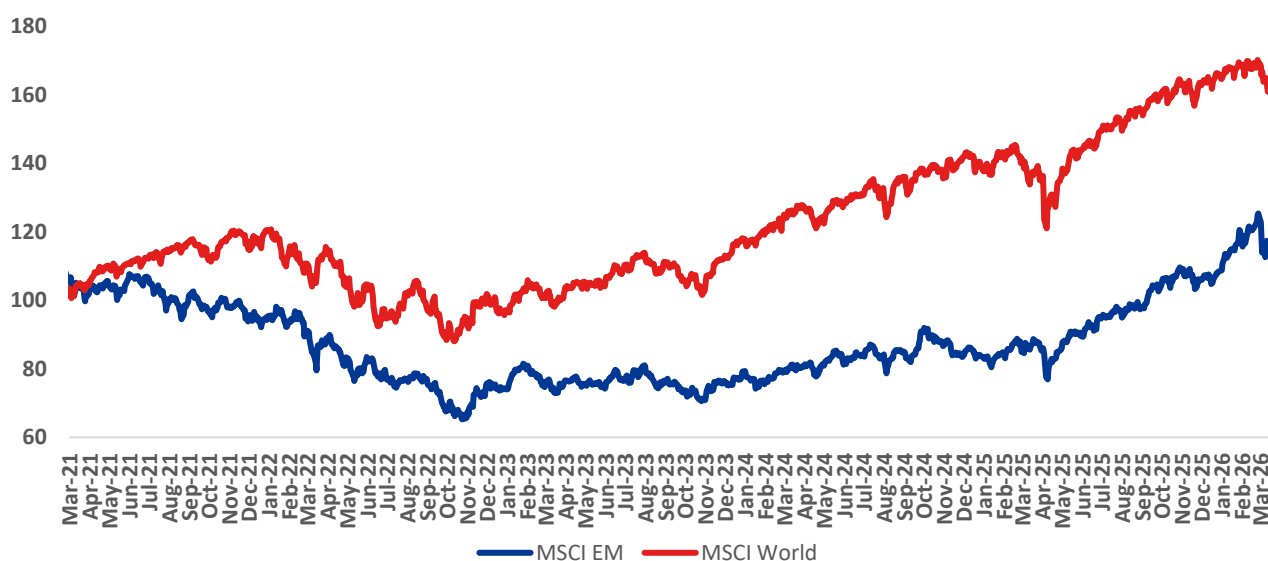
Particulars	Fitch		S&P		Moody's	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
UAE (Abu Dhabi)	AA	STABLE	AA	STABLE	Aa2	STABLE
Kuwait	AA-	STABLE	AA-	STABLE	A1	STABLE
Qatar	AA-	N/A <sup>1</sup>	AA	STABLE	Aa2	STABLE
Saudi Arabia	A+	STABLE	A+	STABLE	Aa3	STABLE
Bahrain	B	STABLE	B	STABLE	B2	STABLE
Oman	BBB-	STABLE	BBB-	STABLE	Baa3	STABLE

<sup>1</sup> Outlook not published for Qatar

## Global Markets

Global equity markets witnessed a broad-based correction in March 2026, primarily driven by escalating geopolitical tensions amid the ongoing Middle East conflict, which significantly disrupted global energy supply dynamics. Developed market equities declined by 6.6% MOM, while emerging markets experienced a sharper contraction of 13.3% MOM, reversing the positive momentum observed in the prior months. Within emerging markets, performance was notably weaker, led by substantial declines in South Korea, India, and Taiwan. South Korea's KOSPI recorded a steep decline of 19.1% MOM, impacted by concerns over energy supply disruptions, a sharp depreciation of the Korean won to multi-year lows, and significant foreign capital outflows, which triggered a pronounced risk-off sentiment. India's Nifty 50 declined by 11.3% MOM, while Taiwan also posted a notable decline of 10.4% MOM in March 2026. In comparison, China's SSE Composite Index declined by 6.5%, and Brazil demonstrated relative resilience with a marginal decline of 0.7% MOM. Despite the sharp monthly correction, emerging markets remained relatively resilient on a YTD basis, declining by 0.5% as of March 2026, compared to a steeper 3.9% drop in developed markets, supported by strong performance in the first two months of the year. Among developed markets, Japan emerged as the weakest performer, with the Nikkei declining 12.7% MOM, reflecting concerns over the long-term economic impact of elevated energy prices and continued currency weakness. France's CAC 40 index also declined significantly by 9.0% MOM, pressured by rising energy costs, slowing domestic economic activity, and heightened geopolitical uncertainty. The S&P 500 declined by 5.1% MOM during the period. While the technology sector demonstrated relative resilience in the early stages of the Middle East conflict, supported by strong 4Q25 earnings and investor preference for high-quality assets, sentiment weakened as markets began to reassess the sustainability of returns amid escalating AI-related capital expenditure by hyperscalers. Additionally, trade policy uncertainty resurfaced following a ruling by the US Supreme Court against the use of the International Economic Emergency Powers Act (IEEPA) to justify previously announced reciprocal tariffs. In response, the US administration implemented a uniform 10% tariff on all imports, further contributing to market volatility. Overall, the escalation of geopolitical tensions, coupled with rising energy prices, currency pressures, and renewed trade uncertainties, significantly weighed on global equity market performance during March 2026.

Figure 3: MSCI World and Emerging Market Index Historical trend



Source: Bloomberg

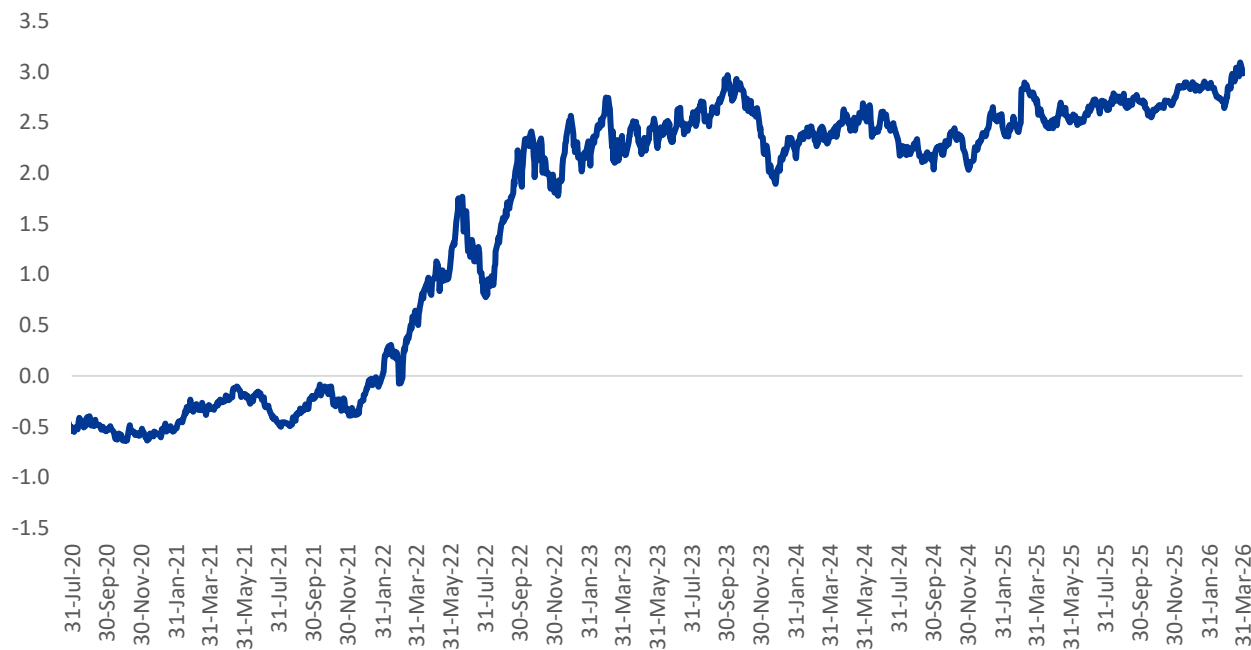
**Yield on 10-year government**

**Figure 4: US 10-year government yield**



Source: Bloomberg

**Figure 5: Germany 10-year government yield**



Source: Bloomberg

**Figure 6: Japan 10-year government yield**



Source: Bloomberg

**Figure 7: UK 10-year government yield**



Source: Bloomberg

## Oil Outlook

Oil prices closed with a record monthly gain in the month of March, rising 63.3% MOM to USD 118.35 per barrel in March 2026. Oil prices surged drastically to USD 120 per barrel in March 2026, revisiting a peak not witnessed since 1H22. At the start of the month, oil prices climbed sharply, surpassing the USD 90 per barrel mark. OPEC+ announced a production increase of 206 thousand barrels per day (bpd) from April 2026, which fell short of market expectations and contributed to supply concerns. Fear of a price spike also surfaced with the closure of the Strait of Hormuz, which accounted for nearly 20% of global oil trade, further bolstering price gains. Additionally, escalating military tensions in West Asia contributed to market uncertainty, with the US indicating that military operations could continue until its objectives are achieved. Iraq, the second-largest oil producer in OPEC, also reduced its output by c. 1.5 Mn bpd. Furthermore, Iran's attacks on oil tankers in the Strait of Hormuz heightened geopolitical risks, raising concerns over the safe passage of vessels and adding to supply-side disruptions. In the subsequent week, oil prices surged to USD 120 per barrel, a level last seen in 1H22, driven by a sharp escalation in geopolitical tensions in West Asia, with broader spillover effects across Middle Eastern countries. However, prices moderated thereafter as the US signalled that the conflict could conclude soon and engaged in discussions with Russia regarding the potential easing of sanctions. Tensions intensified again following attacks on Israeli oil and transport infrastructure, leading to further supply disruptions. However, the upward pressure on oil prices was partially contained after the International Energy Agency (IEA) agreed to release c. 400 Mn barrels of strategic oil reserves, including c. 172 Mn barrels from the US. Post mid-month, oil prices maintained their upward momentum, despite an initial decline supported by the partial resumption of vessel movement through the Strait of Hormuz. Prices rebounded thereafter as the US and its allies thought of escorting vessels through the Strait of Hormuz, amid persistent concerns over potential supply disruptions. There were no indications of de-escalation from Iran, with continued missile strikes following US attacks on Iranian vessels. The conflict further intensified with exchanges of missile attacks between Iran and Iraq targeting energy infrastructure, along with collateral damage across other Middle Eastern countries. Additionally, the Federal Reserve maintained interest rates at current levels with a hawkish stance, signaling concerns over escalating geopolitical tensions and rising inflationary pressures. As March progressed, oil prices exhibited sharp volatility, initially declining on reports of potential diplomatic progress between the US and Iran. Prices rebounded after Iran denied any such negotiations, reigniting concerns over ongoing supply disruptions. Subsequently, prices eased again on expectations of a possible ceasefire, though downside was limited after Iran rejected the US proposal. Oil prices then moved higher as persistent geopolitical tensions, continued military buildup, and disruptions through the Strait of Hormuz sustained supply concerns and kept the risk premium elevated. During the last week, oil prices rose sharply amid escalating West Asia tensions, which heightened fears of supply disruptions. Markets priced in a risk premium due to potential damage to oil infrastructure and restricted flows through key routes like the Strait of Hormuz.

**Figure 8: Brent Crude Oil Prices (USD per barrel)**

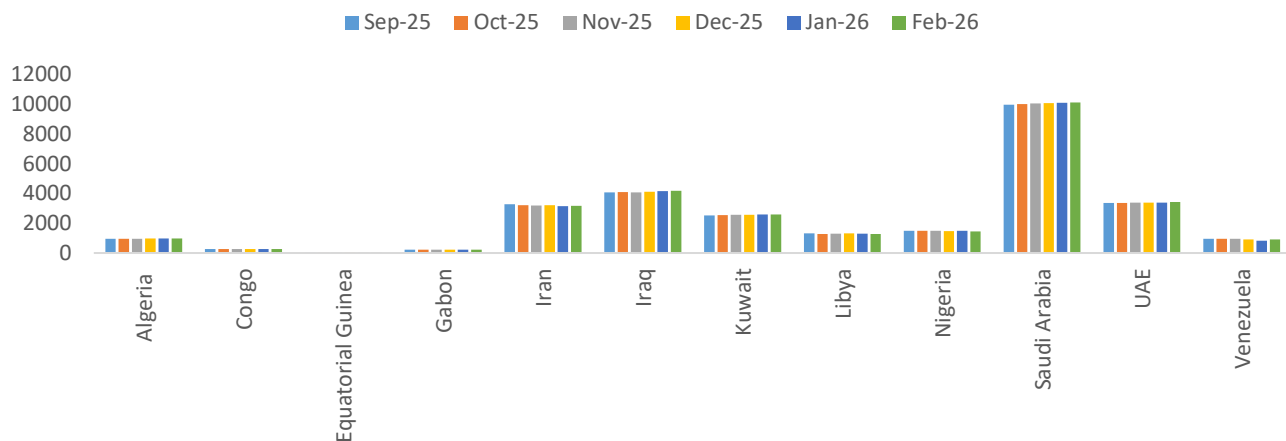


Source: Bloomberg

### OPEC Production

Total Brent crude oil production from the OPEC-12 countries increased 163 thousand barrels per day (bpd) MOM, reaching 28.6 Mn bpd in February 2026. Nine out of the 12 OPEC members reported increase in production during the month. Venezuela witnessed the largest increase in production, increasing 80 thousand bpd MOM in February 2026, followed by Iran with the second-highest increase of 34 thousand bpd MOM increase. Iraq's oil output increased 31 thousand bpd MOM in February 2026, followed by UAE's oil production, which increased 30 thousand bpd MOM. Similarly, Saudi Arabia recorded oil production increase of 24 thousand bpd MOM in February 2026. Congo saw an increase in oil production of 8 thousand bpd MOM in February 2026, while Algeria saw an increase of 7 thousand bpd each MOM in February 2026. Similarly, Equatorial Guinea and Kuwait both saw increase of 1 thousand bpd MOM each in February 2026. However, Nigeria saw the highest decline of oil production of 28 thousand bpd MOM in February 2026, followed by Libya with a decline of 23 thousand bpd MOM. Gabon saw a decline of 1 thousand bpd MOM in February 2026.

**Figure 9: OPEC Crude Oil Production**

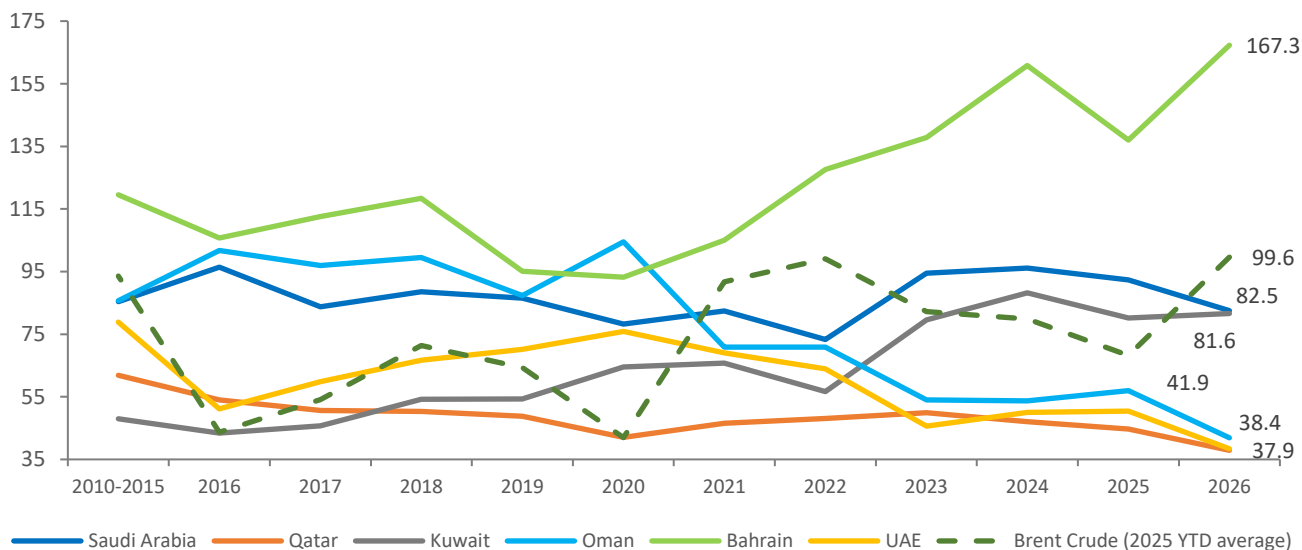


Source: OPEC

### Fiscal Breakeven Oil Price

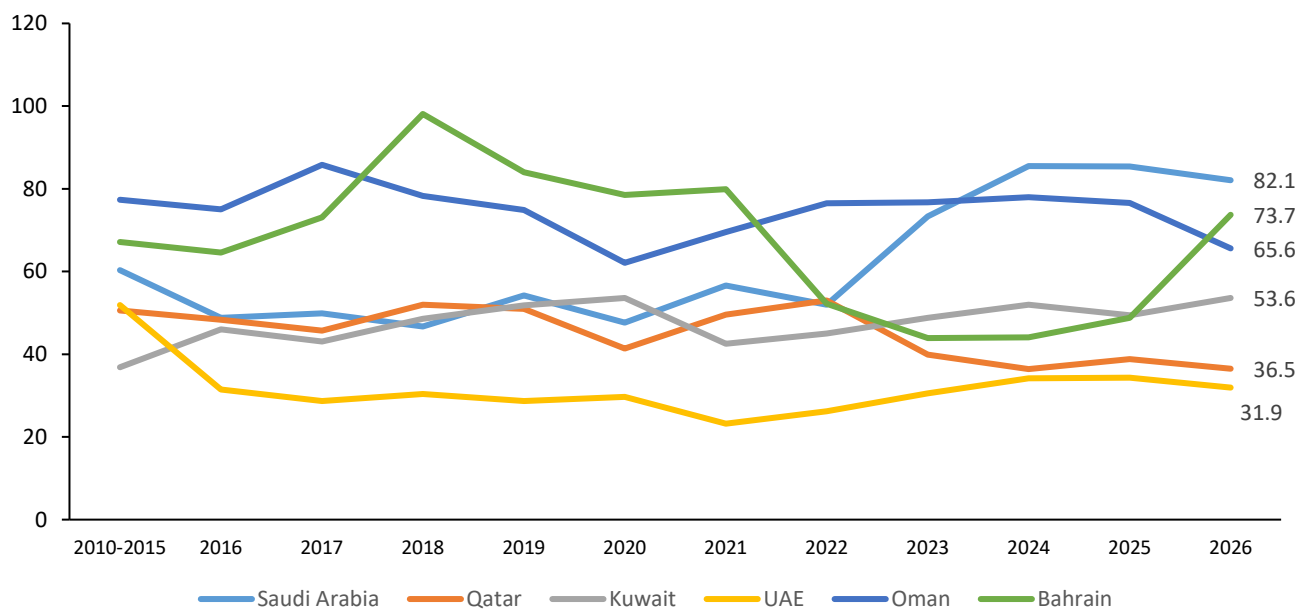
The overall fiscal breakeven oil price is expected to decline for all GCC Countries in FY2026, except Bahrain and Kuwait. Bahrain's fiscal breakeven is projected to grow from USD 137 per barrel in FY2025 to USD 167.3 in FY2026. Similarly, Kuwait's fiscal breakeven is projected to grow from USD 80.2 per barrel in FY2025 to USD 81.6 in FY2026. Saudi Arabia, Qatar, UAE, and Oman will record a decline in break-even oil prices in FY2026. Oman is expected to record the highest drop in break-even oil price, from USD 57 per barrel in FY2025 to USD 41.9 per barrel in FY2026. UAE's break-even oil price will fall from USD 50.4 per barrel in FY2025 to USD 38.4 per barrel in FY2026, followed by Saudi Arabia, which is likely to witness a fall from USD 92.3 per barrel in FY2025 to USD 82.5 per barrel in FY2026. Qatar's break-even oil prices will fall from USD 44.7 per barrel in FY2025 to USD 37.9 per barrel in FY2026.

**Figure 10: Fiscal Breakeven Oil Price (USD/bbl)**



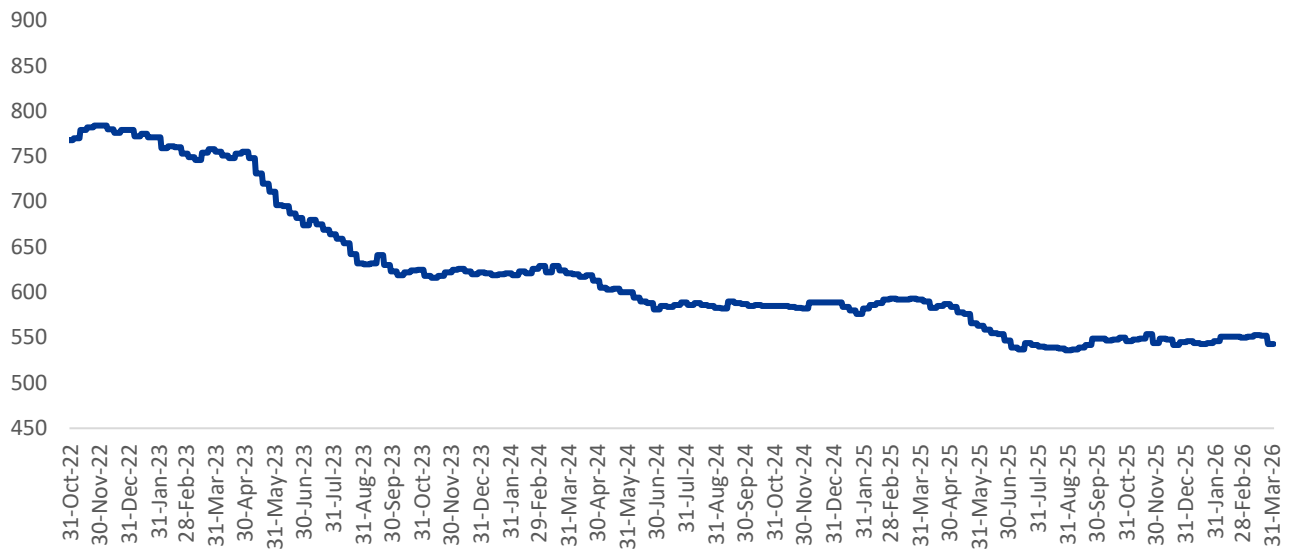
Source: Bloomberg

**Figure 11: External Breakeven Oil Price (USD/bbl)**



Source: Bloomberg

**Figure 12: Oil Rig Count**



Source: Bloomberg

## Credit Strategy

### Current View on Credit Initiation:

Name	Sector	Price	Mid YTM	Moody's/S&P/Fitch
ALDAR 3.875% 2029	Real Estate	95.62	5.28	Baa1/NA/NA
KWIPKK 4.5% 2027	Investment Co.	97.90	7.37	WR/NR/NA
ARAMCO 3.5% 2029	Oil & Gas	96.17	4.90	Aa3/NA/A+
BGBKKK 2.75% 2031	Bank	97.38	6.29	NA/NA/BBB+
INTLWT 5.95% 2039	Power Generation and Water Utility	98.48	6.13	Baa3/NR/BBB-

Source: Bloomberg \* - Ratings for the instruments are based on Bloomberg data, while the issuing company rating is considered in the absence of an instrument rating in the bond description.

We remain OVERWEIGHT on ARAMCO and ALDAR while assigning MARKET WEIGHT ratings on INTLWT, KWIPKK, and BURGAN BANK.

### Implications of Securities Recommendations

Bond Particulars	Call	Price	Yield <sup>1</sup>	1M Return	3M Return	YTD Return <sup>1</sup>	12M Return
INTLWT 5.95% 2039	MW	98.48	6.13	-3.93	-4.30	-4.29	-1.77
BGBKKK 2.75% 2031	MW	97.38	6.29	-1.13	-0.29	-0.27	2.77
ARAMCO 3.5% 2029	OW	96.17	4.90	-2.04	-1.52	-1.56	0.16
KWIPKK 4.5% 2027	MW	97.90	7.37	-1.05	-0.46	-0.41	4.26
ALDAR 3.875% 2029	OW	95.62	5.28	-2.42	-2.26	-2.19	-0.48

Source: Bloomberg, <sup>1</sup>Mid YTM

### ALDAR 3.875% 2029: Maintain OVERWEIGHT rating

We assign an OVERWEIGHT rating on Aldar Properties PJSC's (Aldar Properties) 3.875% senior unsecured Sukuk maturing in October 2029. The Sukuk is trading at USD 95.62 with a yield of 5.28% when held until maturity (redemption at par) with a modified duration of 3.19. The Sukuk also enjoys Moody's investment-grade rating of 'Baa1' with a stable outlook.

- In Abu Dhabi, Aldar Properties is a leading real estate developer with a market cap of AED 80.7 Bn. Apart from being a reliable government contractor, the Company developed many innovative projects, such as Yas Island's F1 circuit and the Gate Towers in Shams Abu Dhabi. Demand for Abu Dhabi's real estate is robust, and the government supports it in terms of home purchasers. The current market has a good supply, and investors are confident in investing in quality projects in prime locations. Aldar diversified its operations and acquired SODIC in Egypt in 2021. SODIC is a leading Egyptian real estate company with a strong 25-year track record, spanning a land area of 25.0 Mn square meters across three geographies in Egypt.
- Mubadala Investment Company, a Sovereign wealth fund of the Abu Dhabi government, owns a 25.1% stake in Aldar. Alpha Dhabi Holding owns a 30%+ stake through its related companies Sublime Commercial Corporation, Sogno Two, and Sogno Three Sole Proprietorship LLC. Aldar Properties is an important strategic partner to the government, having completed several large-scale infrastructure projects and developments in the UAE.
- Aldar Properties (Aldar) released its financial results for 2025 with a revenue of AED 33.8 Bn, up 47.0% YOY, the growth was driven by strong double-digit performance in both the Development and Investment segments, supported by cross-platform growth driven by inventory sales, successful new launches, ongoing recognition of development revenue backlog, contributions from recurring income portfolio from both organic and acquisitions. It recorded a gross profit of AED 11.6 Bn, up 43.9% YOY in 2025, and a net profit of AED 7.6 Bn, up 36.0% YOY, demonstrating the resilience of Aldar's diversified business model. Aldar EPS rose to AED 0.955 in 2025 from AED 0.699 in 2024, demonstrating consistent long-term shareholder value growth.
- Aldar's strong financial results are primarily supported by strong demand for new launches and existing inventory amid robust UAE real estate market fundamentals. The Company's revenue backlog stood at AED 71.7 Bn as of 2025

compared to AED 54.6 Bn in 2024, providing strong revenue visibility across the UAE and International Business. Additionally, Aldar launched 11 new developmental projects, Manarat Living III and The Wilds, Fahid Beach Residences, The Beach House, Waldorf Astoria Residences Yas, Fahid Beach Terraces, Al Deem Townhomes, Rise by Athlon, Yas Living, The Row Saadiyat and Yas Riva Residences in 2025. The project management service segment backlog stood at AED 94.8 Bn as of 2025, with AED 64 Bn under construction.

- The Company's growth was further supported by steady execution of its development revenue backlog, record sales performance, and strong contributions from its recurring income portfolio. High occupancy and strong rental growth across the core investment portfolio drove a solid performance, further boosted by strategic acquisitions, including Masdar City assets, which brought the platform's assets under management to AED 49 Bn in 2025. Strategic acquisitions, rising rental rates, and high occupancy levels, together with strong growth from Aldar Estates and Aldar Education, are supporting stable income and sustained revenue growth.
- As of 2025, Aldar's UAE landbank is strategically distributed across investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 59.5 Mn sqm. In Abu Dhabi, the Company's total land area spans 59.4 Mn sqm, with a gross floor area (GFA) of 7.7 Mn sqm. Meanwhile, in Dubai, the land area encompasses 0.05 Mn Sqm, with gross floor area (GFA) of 0.1 Mn sqm.
- Aldar deployed a capex amounting to c. AED 2.1 Bn in 2025, while in 2024, the Company deployed capital of AED 2.3 Bn. The Company has further guided that it will deploy capital of AED 3-4 Bn in 2026 and AED 9-12 Bn in 2028 across its property segment.
- Liquidity position remains strong with unrestricted cash of AED 14.2 Bn and AED 16.4 Bn of undrawn credit facilities as of 2025. The Company's total debt increased from AED 16.4 Bn in 4Q24 to AED 25.2 Bn in 4Q25.
- Aldar Education is a leading private education provider in Abu Dhabi, with 27 owned and managed schools as of 2025, primarily located across the UAE, and one greenfield project in Abu Dhabi. Aldar further expects growth with the opening of Yasmina American School in Khalifa City and a new Muna British School campus in Saadiyat Lagoons in 2025-26, along with other expansion plans. Additionally, the Company will expand its education portfolio in 2026-27 through the rebranding of Rugby School Dubai, formerly Kent College Dubai, further strengthening its presence in Dubai. Aldar Education is also planning to bring King's College School Wimbledon on Fahid Island in 2028-29.
- Aldar Investment's strategic partners have established a USD 1 Bn private credit platform in Europe, aimed at investing in senior secured debt across a range of real estate sectors in the UK and the European Union.

#### **KWIPKK 4.5% 2027: Maintain MARKETWEIGHT rating**

We assign a MARKETWEIGHT rating on Kuwait Projects Company (KIPCO)'s 4.5% senior unsecured bond maturing in February 2027. The bond is trading at USD 97.90 with a yield of 7.37% when held until maturity (redemption at par) and has a modified duration of 0.84. The bond is issued at the holding company level, so the debt service obligations would be met through the cash balance available with KIPCO and the dividends it receives from subsidiaries. The Company's assets and dividend inflow are concentrated in the three largest entities, contributing c. 60% of total asset value.

KIPCO is one of the largest holding companies in MENA, with its consolidated assets growing from KWD 13.0 Bn in 2024 to KWD 13.8 Bn in 2025, and sustained through multiple economic cycles, making consistent dividend payments for the last 17 years until FY2021. Members of the Kuwaiti ruling family remain KIPCO's leading shareholders, through Al Futtooh Holding Company K.S.C. (AFH), and currently own a 31.91% direct holding. AFH supported KIPCO in all business activities, including capital raising, and a reduction in dividends if required.

- KIPCO's total revenue from operations increased 3.1% YOY to KWD 1,543 Mn in 2025, mainly due to strong growth across income from energy, hospitality & real estate, and industrial & logistics, coupled with a growth in interest and investment income, partially offset by a decline in share of results of associates, net fees & commission income, and foreign exchange gains.

- The Company's operating profit declined 11.6% YOY to KWD 157 Mn in 2025, compared to KWD 177 Mn in 2024.
- Provisions for credit losses decreased from KWD 35 Mn in 2024 to KWD 26 Mn in 2025.
- Profit before tax also declined 7.6% YOY to KWD 97 Mn in 2025, compared to KWD 105 Mn in 2024.
- The Company's net profit attributable to shareholders declined 1.4% YOY to KWD 69 Mn in 2025.
- KIPCO cash and bank balance at the parent company level stood at KWD 2,394 Mn in 2025, compared to KWD 2,663 Mn in 2024.
- Net outstanding debt increased from KWD 1,023 Mn in 2024 to KWD 1,783 Mn in 2025.
- KIPCO has received a dividend income of KWD 8 Mn in 2025 compared to KWD 15 Mn in 2024.
- Fitch affirmed KIPCO's long-term issuer rating at 'BB-' and revised the outlook to stable from negative, reflecting improved leverage following asset monetisation. Capital Intelligence also affirmed the Company's ratings at 'BB+' (long-term) and 'B' (short-term) and revised the outlook to positive, supported by improved debt structure and funding profile.

### **ARAMCO 3.5% 2029: Maintain OVERWEIGHT rating**

We are OVERWEIGHT on Saudi Aramco's 3.5% bond maturing in April 2029. The bond is trading for USD 96.17 and offers a yield of 4.90% with a modified duration of 2.78. The issuer's credit rating is constrained by the rating of its largest shareholder, the government of Saudi Arabia, given the close link between Aramco and the sovereign. Aramco is assigned a standalone credit rating of 'A+' by Fitch, supported by robust profitability, market leadership, significant cash flow visibility and net cash position.

- Saudi Arabian Oil Company is an integrated energy and chemicals company. Aramco's operations are divided into two main segments: Upstream and Downstream. Upstream activities are predominantly centred in Saudi Arabia, while the Downstream sector operates on a global scale. The Upstream segment of the Company is responsible for the exploration, development, production, and sale of natural gas, condensate, crude oil, and natural gas liquids (NGLs). The activities of the downstream section include supply and trading, power generation, retail operations, base oils and lubricants, petrochemicals and refining, and distribution. The reserves of Aramco amounted to 247.2 Bn barrels of oil equivalent in FY2025, consisting of 186.5 Bn barrels of crude oil and condensate, 26.2 Bn barrels of NGL, and 211.7 trillion standard cubic feet of natural gas.
- Fitch upgraded a long-term foreign and local currency IDR to 'A+' with a stable outlook in Dec 2024, reflecting the Company's strong business profile backed by strong control and support from the government. The government directly owns 81.48% stake in the Company in addition to the PIF ownership of 16%. Aramco's significant investments in capex and capacity expansion position the Company for future growth. Additionally, the Company maintains low production costs and substantial reserves, offsetting potential energy transition risks. Aramco boasts an SCP rating of 'aa+', three notches above the Sovereign's foreign currency rating of 'A+'. The worsening of Saudi Aramco's relative position to local peers would likely lead to a downgrade of rating.
- Revenue declined 4.8% YOY to SAR 1,559.3 Bn in 2025, primarily driven by lower crude oil prices along with declines in refined and chemical product prices. This was partially offset by higher sales volumes across refined and chemical products, as well as increased gas and crude oil volumes.
- Revenue from Downstream operation decreased 2.1% YOY to SAR 897.7 Bn in 2025, while revenue from Upstream operation fell 8.4% YOY to SAR 659.0 Bn in 2025. Other income related to sales declined 31.9% YOY to SAR 111.9 Bn in 2025. Other income related to sales declined, primarily due to reduced price equalization compensation, driven by lower reference equalization prices, higher regulated prices, and lower volumes of crude oil and refined products sold at regulated prices. Thus, revenue and other income related to sales fell from SAR 1,801.7 Bn in 2024 to SAR 1,671.2 Bn in 2025.

- Royalties and other taxes declined from SAR 200.5 Bn in 2024 to SAR 151.4 Bn in 2025. Total operating costs fell 6.1% YOY to SAR 964.4 Bn in 2025, driven by a decline in purchases and production royalties, partially offset by an increase in producing and manufacturing expenses.
- Impairment and held for sale remeasurement losses grew from SAR 11.8 Bn in 2024 to SAR 32.4 Bn in 2025. The Company's finance and other income fell to SAR 15.5 Bn in 2025, compared to SAR 22.9 Bn in 2024.
- Income before taxes and zakat fell from SAR 782.0 Bn in 2024 to SAR 702.9 Bn in 2025, primarily attributed by lower crude oil prices and reduced prices of refined and chemical products purchased, partially offset by higher purchase volumes of refined and chemical products.
- Furthermore, Aramco's net profit declined from SAR 398.4 Bn in 2024 to SAR 350.2 Bn in 2025. The net profit attributable to equity shareholders declined from SAR 393.9 Bn in 2024 to SAR 348.0 Bn in 2025.
- Free cash flow remained constant at SAR 320.4 Bn in 2025 compared to 2024.
- Aramco's paid a base dividend of SAR 317.2 Bn in 2025, along with a performance-linked dividend of SAR 3.3 Bn, bringing total dividends to SAR 320.4 Bn for the year, equivalent to a dividend per share of SAR 1.325.
- The Company's progress on its Upstream oil and gas projects, Phase one of the Dammam development project came onstream in 2025, adding 25 mbpd with phase two expected in 2027, adding a 50 mbpd of crude oil capacity. Procurement and construction for the Berri and Marjan crude oil increments brough onstream in 2025, providing an additional 250 mbpd and 300 mbpd, respectively. The Zuluf crude oil increment is progressing, with expected processing of 600 mbpd through a central facility in 2026. Tanajib Gas Plant, part of the Marjan development program commenced operations in 2025, adding 2.6 bscfd of raw gas processing capacity. Work on the Jafurah Gas Plant, part of the Jafurah unconventional gas field is advancing with phase one commissioned in December 2025 and sustainable sales gas projected at 2.0 bscfd by 2030, along with significant volumes of ethane, NGL, and condensate. Engineering, procurement, and construction activities for the Fadhili Gas Plant expansion are ongoing, expected to add 1.5 bscfd of additional raw gas processing capacity by 2027. In October, Aramco entered a 20-year lease-and-leaseback agreement for the Jafurah Field Gas Plant and Riyas NGL Fractionation Plant with its subsidiary, Jafurah Midstream Gas Company. As part of the deal, Aramco sold a 49% stake in the subsidiary to a consortium led by Global Infrastructure Partners (BlackRock) for SAR 41.8 Bn (USD 11.1 Bn) in cash. The subsidiary will receive quarterly volume-based tariff payments from Aramco, backed by minimum volume commitments. Aramco retains full ownership and operational control of the facilities, with no restrictions on production volumes.
- Aramco's gearing ratio declined substantially from 6.3% in 3Q25 to 3.8% in 4Q25. Aramco's capital expenditure (Upstream) on cash basis fell to SAR 141.6 Bn in 2025 from SAR 147.1 Bn in 2024. While capital expenditure (Downstream) on cash basis grew from SAR 38.0 Bn in 2024 to 43.8 Bn in 2025, driven by steady progress across key projects, including the refinery-integrated petrochemical steam cracker being developed by S-OIL, the Amiral expansion at the SATORP refinery, and other ongoing developments. Similarly, capital expenditure (Corporate) on cash basis expanded from SAR 2.8 Bn in 2024 to SAR 4.9 Bn in 2025, driven by higher spending on various industrial support and community development projects.
- The Company's net debt declined to SAR 68.5 Bn in 2025 compared to SAR 78.1 Bn in 2024.

#### **BGBKKK 2.75% 2031: Maintain MARKET WEIGHT rating**

We are MARKETWEIGHT on Burgan Bank's 2.75% Tier 2 subordinated bond, currently trading at USD 97.38. The bond offers a yield of 6.29% and a duration of 0.42. Its loan book is diversified with exposure to Kuwait and international operations in multiple sectors.

- Burgan Bank is one of the leading conventional banks in Kuwait in terms of total assets and is listed on Boursa Kuwait. The Bank has a network of 126 branches and 283 ATMs as of 2025. KIPCO Company holds a major stake in the Bank, owning 33.5%.

- Burgan Bank net operating income increased 16.9% YOY to KWD 268 Mn in 2025, driven by a 13.0% YOY growth in the net interest income amounting to KWD 178 Mn, coupled with a 25.4% YOY rise in the non-interest income amounting to KWD 90 Mn during 2025. The improvement was driven by sustained loan expansion, stable net interest margins, higher fee income, and contributions from the integration of United Gulf Bank (UGB), including its key subsidiary Kamco Investment Company KSCP.
- The Bank's net interest margins remained stable YOY at 2.3% in 2025, reflecting effective balance sheet management in a changing interest-rate environment.
- Operating expenses increased 25.0% YOY to KWD 163 Mn in 2025. Thus, the cost-to-income ratio stood at 60.9% in 2025 compared to 57.0% in 2024.
- The Bank reported a net profit attributable to shareholders of KWD 47 Mn in 2025, compared to KWD 46 Mn in 2024, reflecting stable earnings performance and highlighting the resilience of its business model despite heightened market uncertainty.
- Loans and advances to customers rose 8.0% YOY and 2.1% QOQ to KWD 4.8 Bn in 2025, driven by Kuwait business and solid performance across key subsidiaries. Deposit rose 11.3% YOY and 5.2% QOQ to KWD 5.5 Bn, with CASA deposit of 27% in 2025.
- The Bank's non-performing loans increased marginally from 1.8% in 2024 to 1.9% in 2025. Provisional coverage stood at 239% in 2025, further underscoring the strength of the credit protection.
- Capital adequacy ratio stood at 16.8% in 2025, above the regulatory requirement. The Bank maintains high liquidity levels, with a liquid coverage ratio (LCR) and net stable funding ratio (NSFR) of 186% and 112%, respectively, as of 2025, substantially above the minimum regulatory requirement of 100%.
- Fitch Ratings affirmed Burgan Bank's long-term IDR at "A" with a stable outlook. Moody's assigned a credit rating of "Baa1" with a Stable Outlook, and S&P Global also assigned a rating of "BBB+" with a Stable Outlook.
- Burgan Bank successfully issued USD 500 Mn through a 5-year senior unsecured bond, carrying a fixed coupon of 4.875% and priced at a spread of 115 bps over US Treasuries.
- During the year, the Bank launched a USD 500 Mn Certificates of Deposit (CD) program, a new funding instrument designed to diversify sources and strengthen liquidity.
- Burgan Bank also increased its authorized capital by KD 200 Mn to KD 600 Mn supporting future growth and ensuring continued regulatory approval.

#### **INTLWT 5.95% 2039: Maintain MARKET WEIGHT rating**

We assign MARKETWEIGHT on APMI One's 5.95% bond maturing in May 2039. The bond is trading at USD 98.48 with a yield of 6.13% if held till maturity (redemption at par). The bond has a modified duration of 6.47. The Bond has a credit rating of BBB- from Fitch and Baa3 from Moody's both with a stable outlook.

ACWA Power Management and Investments One Ltd (APMI One) is wholly owned subsidiary of ACWA Power Company. ACWA Power Co. develops, operates, and invest in power generating and desalinated water production plants in Saudi Arabia. The company was established in FY2004 in KSA and expanded throughout the years to operate in 12 countries. The first expansion plan took place in FY2008-FY2010 in Oman and Jordan, then from FY2012 to FY2014, the company expanded in Morocco, South Africa, and Turkey. The final expansion was in UAE, Egypt, Bahrain, Vietnam, Ethiopia, and Uzbekistan from FY2015 to FY2020.

- ACWA Power's total gross power capacity reached 93 GW, with renewables contributing 52.3 GW (56% of the mix), while desalination capacity stood at 9.2 million m<sup>3</sup>/day and battery energy storage capacity reached 5.6 GWh for the year 2025. The operating portfolio comprised 43 GW of power, 6.3 million m<sup>3</sup>/day of desalinated water, and 3 KTPA of green hydrogen. Operational performance remained strong, with power availability at 91.2% and water availability improving to 98.7%, while the Company maintained a stable safety record with an LTIR of 0.01, unchanged from 2024.
- The Company agreed to sell its 32% effective investment in SQWEC, an oil-fired facility with 850 MW of power and 212,000 cubic meters water desalination capacity in the Kingdom of Saudi Arabia, on September 7, 2021. The sale reduced the diversification of APMI One cash flow. In order to offset the impact of lost cashflows from SQWEC, ACWA Power increased the stake in RAWEC that forms part of APMI One bondholder security and cashflows from 37% to 80%, while this offsets the cashflow impact of the sale of SQWEC, it results in greater concentration at RAWEC, for which we view the offtaker as of lower credit quality than for others in the portfolio. The issuer APMI One is a Special Purpose Company, incorporated under the laws of DIFC, which is 100% owned by ACWA Power Projects. However, APMI One is not the only entity ACWA Power Projects has its hands on.
- APP filed its zakat and tax returns for all the years till FY2024. APPs closed its position with the ZATCA until FY2018; moreover, the ZATCA is currently performing audits for FY2021-24. The Company's subsidiaries and associates received a higher tax assessment from ZATCA, which led to an additional liability of SAR 151 Mn (with ACWA Power's share of SAR 79 Mn). The Company has recognised provisions of SAR 151 Mn (ACWA Power share of SAR 79 Mn) against this assessment as of 30<sup>th</sup> June 2025.
- ACWA Power achieved financial close in May 2025 on two projects, including the Uzbek GH2 Phase 1 with an investment of SAR 0.4 Bn, a capacity of 52 MW and 3 KTPA, and 80% ownership, as well as the Tashkent Riverside PV + BESS with an investment of SAR 2.0 Bn, a capacity of 400 MW, and full ownership. These milestones highlight the company's expanding renewable and hydrogen portfolio in Uzbekistan.
- ACWA Power started contribution to the company's results from several projects between January and May 2025 through ICOD or PCOD. These included Chirquiq GH2 in Uzbekistan with 52 MW and 3 KTPA capacity at 80% ownership, Redstone CSP in South Africa with 100 MW at 36% ownership, Shuaibah 3 SWRO in Saudi Arabia with 600 m<sup>3</sup>/day at 47.48% ownership, Bash Wind and Dzhankeldy Wind in Uzbekistan each with 500 MW at 65% ownership, Al Shuaibah 2 Solar PV in Saudi Arabia with 2,060 MW at 35.01% ownership, and Layla Solar PV in Saudi Arabia with 91 MW at 40.76% ownership.
- ACWA Power expanded its portfolio during the year ended 31 December 2025 through the acquisition of equity interests in entities in Kuwait and the Kingdom of Bahrain via a Sale and Purchase Agreement (SPA). These entities comprise gas-fired power generation capacity of 4.6 GW, water desalination capacity of 1,114k m<sup>3</sup>/day, and associated Operations and Maintenance companies. The acquisition was executed through newly established Holding Companies under ACWA for a total consideration of SAR 1,813 Mn, with the transactions in Bahrain and Kuwait completed on 30 November 2025 and 31 December 2025, respectively, following the fulfillment of all conditions precedent.

The financial details as of 2025 for ACWA Power are listed below:

- ACWA Power's operating income before impairment loss and other expenses grew from SAR 2,983 Mn in 2024 to SAR 3,594 Mn in 2025. The increase is mainly driven by higher development and construction management services income, stronger contributions from operating assets and new projects, and lower development costs, provisions, and write-offs, net. The increase was partly offset by gains recognized in 2024 from the Bash & Dzhankeldy divestment and the ACWA Guc debt restructuring.
- Net profit attributable to equity holders increased 5.4% YOY to SAR 1,852 Mn in 2025, driven primarily by higher development and construction management services income, along with growth in other operating income

supported by higher advisory/service income and improved financial income. The increase was further aided by higher NOMAC earnings, but partially offset by the absence of capital recycling gains recorded in 2024, higher corporate and financing costs, and impairment charges related to Noor 3 CSP.

- The adjusted net profit rose 59.9% YOY to SAR 2,196 Mn in 2025 after excluding the financial impact of non-routine, unusual, and non-operational items, partially offset by impairment losses and the termination of a project in Africa.
- ACWA Power raised SAR 7.1 Bn through a rights issue in 2025, increasing its share capital from SAR 7.32 Bn to SAR 7.66 Bn, with proceeds supporting portfolio expansion across power, desalination, and green hydrogen, facilitating selective M&A, strengthening the balance sheet, and underpinning growth from an asset base of USD 117 Bn toward its USD 250 Bn AUM target by 2030.
- The Company achieved a record year of financial closures in 2025, closing 15 projects with an aggregate investment cost of SAR 70 Bn. This included nine PPAs and three WPAs, along with acquisitions in Bahrain, Kuwait, and China, adding 25 GW of power capacity and 2.1 Mn m<sup>3</sup>/day of water capacity to the portfolio, while operational capacity increased by 13.2 GW of power and 1.7 Mn m<sup>3</sup>/day of water. The Company's portfolio stood at 108 assets across 15 countries.
- The company's projects, including the Chirchiq Green Hydrogen and Karatau Wind projects in Uzbekistan, the Saad 2, Al Rass 2, and Al Khafah solar PV plants in Saudi Arabia, and various wind projects in Azerbaijan, began partial or full operations in 3Q25. These projects added 3.7 GW of power capacity and 3,000 tonnes of green hydrogen annually to the operational portfolio.
- On 25th December 2024, the Group signed the equity transfer agreement for the acquisition of 100% shares in Xinyang Mingshang New Energy Co. Ltd. On 30th September 2025, the conditions precedent was met, and 100% equity shares were transferred to the Group. Accordingly, the asset has been consolidated in the financial statements for 9M25. By closing another phase of acquisitions in China, the Company added the 100 MW Mingyang Wind Power Project to its portfolio.
- On 29 December 2025, the Group further acquired 100% equity interest in Boli County Runfeng New Energy Co., Ltd. At the acquisition date, the entity had net assets of SAR 184 Mn and the consideration amounted to SAR 192 Mn. The group commenced consolidation of this asset adding 250 MW to its portfolio.
- ACWA Power reported a cash & short-term investment of SAR 8,164 Mn in 2025 up from SAR 4,084 Mn in 2024. As a result, total assets increased from SAR 56.9 Bn in FY2024 to SAR 70.1 Bn in 2025. The Company's debt stood at SAR 30.3 Bn in 2025, up from SAR 26.0 Bn in 2024.

Bond Yield charts (%)

Figure 13: ALDAR 3.875% 2029



Figure 14: KWIPKK 4.5% 2027

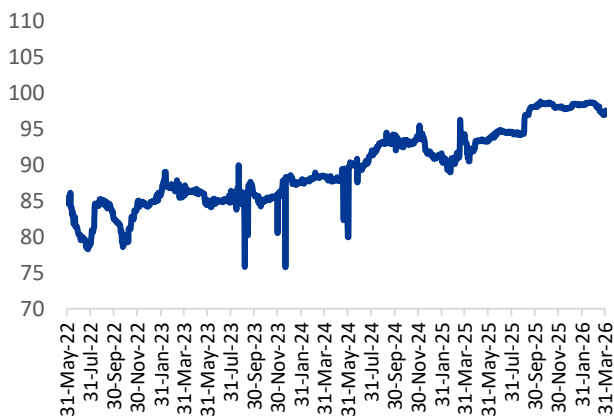


Figure 15: ARAMCO 3.5% 2029



Figure 16: INTLWT 5.95% 2039

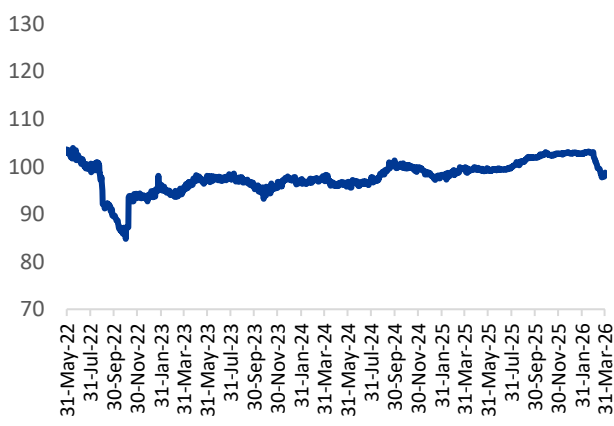
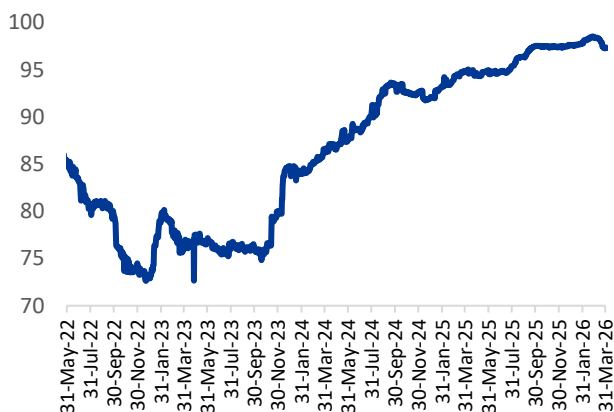


Figure 17: BGBKKK 2.75% 2031



Source: Bloomberg

**Key Market Indicators**

Particulars	Price/Yield	YTD (% change)	MOM (% change)
Brent crude	107.51	76.68	38.29
US dollar index	100.00	1.70	1.64
10Y Treasury yield <sup>1</sup>	4.38	0.21	0.42
2Y Treasury yield <sup>1</sup>	3.85	0.38	-0.12
10Y German bond yield <sup>1</sup>	2.98	0.13	0.34
10Y Japan bond yield <sup>1</sup>	2.36	0.29	0.29
Bloomberg UAE Composite USD Liquid index	147.08	-2.16	-3.21

Source: Bloomberg, <sup>1</sup> in Basis point

## Sovereign Highlights

### UAE

#### **UAE non-oil sector activity reached 12-month high in February**

The UAE's non-oil private sector showed its strongest performance in 12 months in February, with the S&P Global PMI edging up from 54.9 in January to 55.0 in February. Growth was supported by a rise in new orders, better supply conditions, and solid demand across sectors including logistics, construction, real estate, and technology. Domestic demand remained the main contributor, supported by higher tourism activity, e-commerce expansion, and increasing interest in AI-related products, while export demand improved slightly. Business sentiment stayed positive in February, though it softened slightly compared to January. In Dubai, the PMI eased from 55.9 in January to 54.6 in February, indicating slower output growth despite continued strength in employment.

#### **ADNOC reduced March Murban allocations to onshore partners by around 20%**

Abu Dhabi National Oil Company reduced crude allocations for onshore partners for March, with partners permitted to load around 80% of their remaining Murban barrels, while shipments will continue to be directed to a port outside the Strait of Hormuz. The reduction represents a cut of c. one-fifth in allocated volumes.

#### **ADNOC Gas adjusted LNG output amid Strait of Hormuz disruption**

ADNOC Gas implemented temporary adjustments to liquefied natural gas and export-traded liquids production on 23<sup>rd</sup> March 2026 in response to the Strait of Hormuz disruption, while operations continued safely across its asset base with no impact on core processing integrity. The company is engaging with customers on a case-by-case basis to meet its commitments. The Das Island facility, with LNG capacity of 6 MTPA, requires tanker transit through the Strait of Hormuz. The Habshan gas processing complex, with capacity of Bcf/d, resumed operations after a shutdown on 19<sup>th</sup> March, while disruptions followed escalating tensions involving Iran.

### Saudi Arabia

#### **Saudi PMI softens in February on weaker operating conditions**

Saudi Arabia's Riyadh Bank PMI declined from 56.3 in January to 56.1 in February, marking a six-month low in output growth amid competitive pressures in domestic non-oil markets. Despite the moderation, the sector remains in expansion territory, supported by rising international sales and an improved volume of new orders. Employment increased as firms responded to higher order books, but wage costs rose sharply, pushing up selling prices. Improved customer spending contributed to order growth, while business expectations for the next 12 months remain positive.

#### **Saudi Arabia's GDP expanded 4.5% in 2025**

Saudi Arabia's real GDP increased by 4.5% in 2025, supported by expansion across all key sectors. Oil activities rose 5.7%, non-oil activities grew 4.9%, and government activities increased 0.9%. GDP at current prices stood at SAR 4.8 trillion. Oil and natural gas contributed 17.1% to the economy, followed by government activities at 14.0%, wholesale and retail trade, restaurants and hotels at 12.3%, manufacturing excluding oil refining at 11.1%, and construction at 8.0%. In 4Q25, GDP expanded 5.0% YOY, driven by a 12.4% rise in oil and natural gas activities and a 5.4% increase in wholesale and retail trade, restaurants and hotels.

#### **S&P Global maintains Saudi Arabia's A+ sovereign rating with stable outlook**

S&P Global Ratings maintained Saudi Arabia's sovereign credit rating at A+ with a stable outlook, citing strong policy adaptability and resilience in managing oil export disruptions through alternative routes and storage capacity. The outlook is

supported by continued non-oil sector growth and effective government prioritization to underpin economic performance. Real GDP is forecasted to expand 4.4% in 2026 and average 3.3% over 2027–2029, with the non-oil sector, including government activities, contributing around 70% of total output. While government debt is projected to rise, fiscal strength remains supported by sizeable public assets.

#### **Saudi East-West pipeline operated at full 7mIn bpd capacity, bypassing Hormuz**

Saudi Arabia's East-West pipeline is currently operating at its full capacity of 7 Mn barrels per day, enabling crude flows to bypass the Strait of Hormuz. Oil shipments from the Red Sea port of Yanbu have risen to around 5 Mn bpd, alongside additional exports of refined products. The increase in flows reflects a shift in trade routes amid escalating regional tensions, which have disrupted key shipping lanes and tightened global energy markets.

### **Qatar**

#### **Qatar Energy halted production of urea, polymers, methanol and aluminium**

Qatar Energy halted production of urea, polymers, methanol, and aluminium in the State of Qatar, while the decision followed the earlier halt in liquefied natural gas and associated product output. The production stoppage covers multiple downstream products in the country, as confirmed by the company.

#### **S&P affirmed Qatar's sovereign rating at AA/A-1+ with stable outlook**

S&P Global Ratings affirmed Qatar's long and short-term foreign and local currency sovereign credit ratings at "AA/A-1+", while maintaining a stable outlook along with transfer and convertibility assessment of "AA+". The stable outlook reflects strong fiscal, external and economic buffers, which are expected to offset geopolitical risks. Moreover, the government's consolidated net asset position is estimated at 135% of GDP in 2026. S&P expects the fiscal balance to strengthen to a surplus of around 6% of GDP by 2029, additionally government debt is projected to decline from 45% of GDP in 2026 to about 33% by 2029.

#### **Qatar Energy reported extensive damage at Ras Laffan following missile attacks**

Qatar Energy reported extensive damage at Ras Laffan following Iranian missile attacks, which caused fires across LNG facilities and impacted the Pearl gas-to-liquids plant, while no casualties were reported and all personnel were accounted for. The attacks followed Iranian evacuation warnings for energy facilities across Qatar, the UAE and Saudi Arabia. Ras Laffan hosts key international operators including Shell, which holds a 30% stake in a 7.8 Mtpa LNG facility, alongside a 100% interest in the Pearl GTL plant with capacity of 1.6 Bn cubic feet per day.

#### **Qatar CPI rose to 110.60 in February 2026 driven by increases across key categories**

In February 2026, Qatar's Consumer Price Index expanded to 110.6 points, an increase of 0.64% MOM and 2.51% YOY basis. The monthly increase in February 2026 was attributed to higher prices in miscellaneous goods and services rising by 9.67%, clothing and footwear by 2.39%, food and beverages by 0.16%, and housing, water, electricity, gas and other fuels by 0.32%, while transport declined by 0.77%, recreation and culture by 0.61%, restaurants and hotels by 0.26%, and communication by 0.08% compared to January 2026. Moreover, the CPI excluding housing rose to 115.38 in February 2026, increasing 0.71% MOM and 2.91% YOY in February 2026.

#### **QDB launched emergency programmes to support food and health sectors amid regional disruption**

Qatar Development Bank implemented emergency programmes in March 2026 to support businesses in the food and health sectors, which are impacted by supply disruptions and rising costs amid the Middle East conflict. The measures enabled easier access to financing for businesses to procure priority products, while factories were supported to stockpile essential materials to avoid production delays in March 2026. Under the Supply Chain Financing programme, QDB provided partial guarantees

to facilitate easier loan access from commercial banks. Moreover, logistics support measures were introduced to offset volatility in shipping and transportation costs.

#### **Qatar industrial PPI declined in January on lower energy prices**

Qatar's industrial Producer Price Index declined to 97.02 points in January 2025, a decline of 4.03% MOM and 14.90% YOY, attributed to lower energy prices. The index comprises mining (82.46%), manufacturing (15.85%), electricity (1.16%), and water (0.53%), while mining declined 4.17% MOM and 18.23% YOY in January 2025 due to lower crude oil and natural gas prices. Moreover, manufacturing declined 2.65% MOM, while it increased 2.29% YOY in January 2025. Electricity declined 0.11% MOM and 0.58% YOY, coupled with water declining 27.12% MOM and 13.06% YOY in January 2025.

#### **Fitch Warns of Qatar Downgrade Risk on Security Concerns**

Fitch Ratings has placed Qatar's "AA" sovereign rating on Rating Watch Negative, citing rising concerns over a potentially lasting deterioration in its security environment following the Iran war. The missile strike on the Ras Laffan industrial hub, caused significant damage to energy infrastructure, along with disruptions such as the Strait of Hormuz closure, is expected to weigh on public finances. With around 17% of LNG capacity impacted and risks of further escalation, Fitch noted that higher energy prices may only partially offset the revenue losses in 2026.

### **Egypt**

#### **Non-oil private sector in Egypt contracted during February 2026**

Egypt's non-oil private sector contracted in February 2026, with the headline PMI declining to 48.9 in February 2026 from 49.8 in January 2026, while remaining below the threshold of 50. Output declined for the first time since October 2025, impacted by lower demand and increasing cost pressures. Moreover, new orders contracted across manufacturing, wholesale and retail, and services, while construction recorded an increase. All five PMI sub-components indicated weakening business conditions. Additionally, cost pressures increased due to higher global commodity prices, including oil and metals, with input costs rising at the sharpest pace in nine months, while selling prices remained largely unchanged.

#### **Egypt developers reduced unit sizes amid higher costs and demand shifts**

According to the Naguib Sawiris, Chairperson and CEO of Ora Developers, Egypt's property market is facing pressure from increasing construction costs and inflation, impacting buying and selling activity. As a result, developers are adopting more flexible strategies in execution and product offerings. Developers are reducing residential unit sizes to maintain affordability. Moreover, buyers are shifting toward smaller units due to declining purchasing power. Developers are introducing practical solutions to sustain market activity and attract investors and end-users, alongside continued increases in property prices driven by higher building material costs.

#### **Egypt reported 5.3% GDP growth in 2Q 2025-26 with EGP 40 Bn social package**

Egypt's economy recorded GDP growth of 5.3% in 2Q25/26, marking the highest level since 3Q21/22, while the government announced an EGP 40 Bn social protection package funded through financial surpluses. The package includes EGP 15 Bn allocated to the "Haya Karima" initiative targeting over 60 Mn citizens in rural areas. Moreover, the government outlined 2026/27 budget priorities focused on fiscal discipline, debt reduction, and creating fiscal space for social spending. The government also activated crisis monitoring mechanisms and, additionally implementing measures to maintain food reserves and ensure stability in petroleum and natural gas supplies, while strengthening market oversight and preventing monopolisation.

#### **Egypt urban inflation increased to 13.4% in February 2026**

Egypt's annual urban consumer inflation increased from 11.9% in January 2026 to 13.4% in February 2026, while MOM inflation rose by 2.8%. Food and beverage prices increased by 4.6% on both monthly and annual basis. Moreover, inflation

was attributed to higher demand during the Ramadan period and an increase in tobacco prices. Annual inflation declined from a peak of 38% in September 2023, supported by a USD 8 Bn financial support package agreed with the IMF in March 2024.

#### **Impact from Iran conflict remained limited amid policy response: IMF**

According to the International Monetary Fund, the economic impact of the ongoing Iran conflict on Egypt remained relatively limited, attributed to early and coordinated policy measures by authorities. The IMF noted that Egypt's flexible exchange rate acted as a shock absorber, while helping mitigate external pressures and preserve foreign currency reserves. However, the economy faced pressures from rising energy prices and capital outflows, while the EGP weakened more than 8% against USD amid foreign investor withdrawals from local debt markets. Egypt is also impacted by rising natural gas import costs, leading the government to take pre-emptive actions such as increasing fuel prices and implementing electricity control measures.

#### **Egypt approved 2026/27 budget with EGP 5.1 Tn expenditure**

Egypt's cabinet approved the 2026/27 budget with total expenditure of EGP 5.1 Tn (USD 96.7 Bn) in 2026/27, while public revenue is expected to increase 27.6% YOY to EGP 4 Tn in 2026/27. Taxes are estimated to contribute more than 79% of total revenue in 2026/27. Moreover, interest payments account for around half of total expenditure in 2026/27. The government targets a primary surplus of 5% and an overall deficit of 4.9% by June 2027, coupled with plans to reduce public debt to 78% of GDP by June 2027 from 83.8% in June 2025. The budget remains subject to approval by the House of Representatives.

#### **Egypt slowed select state projects and cut fuel use amid regional tensions**

Egypt announced plans to scale back certain fuel-intensive government projects for at least two months, alongside a 30% reduction in fuel allocations for state vehicles, as part of measures to manage rising energy costs. Authorities also introduced remote working for most sectors on Sundays in April, with scope for extension if conditions persist. These steps come as higher energy prices and supply disruptions linked to regional tensions weigh on the economy, prompting efforts to ease pressure on public finances.

## **Oman**

#### **Oman expected to face limited credit impact from Iran conflict**

Oman is projected to face limited credit impact from the Iran conflict, as Moody's highlighted that the country's trade flows, including hydrocarbon exports, bypass the Strait of Hormuz, as all major ports and LNG export terminals in Oman are located outside the Gulf facing the Indian Ocean. Moreover, the sultanate is well positioned to benefit from increasing energy prices. However, countries such as Kuwait, Bahrain, and Iraq remained more vulnerable due to reliance on the Strait for trade flows.

#### **Oman records GDP growth of 2.3% YOY in 2025, supported by non-oil growth and gas sector expansion**

The Sultanate of Oman's GDP at current prices expanded 2.3% YOY to OMR 42.1 Bn in 2025, while GDP grew by 4.6% to OMR 11.1 Bn in 4Q25. The expansion was attributed to a shift within the energy sector, with the natural gas increased by 69.2% YOY in 4Q25, partially offset the oil decline of 6.9% YOY during 4Q25. As a result, total oil activities recorded a 4.6% increase in 4Q25, moreover non-oil activities expanded by 4.8% to OMR 7.8 Bn in 4Q25, supported by services, agriculture and fishing, and industrial activities.

#### **Oman Inflation Rises 2% YOY in February 2026**

Oman's consumer price index increased 2% YOY in February 2026, with average inflation rising 1.7% in the first two months of the year. Price gains were led by miscellaneous goods and services, restaurants and hotels, and food categories, particularly vegetables and fruits. Healthcare costs rose modestly, while transport and recreation saw marginal increases. Core utilities and communication prices remained stable, with inflation varying across regions, led by Al Dhahirah and Muscat.

**S&P Affirms Oman's 'BBB-' Rating with Stable Outlook**

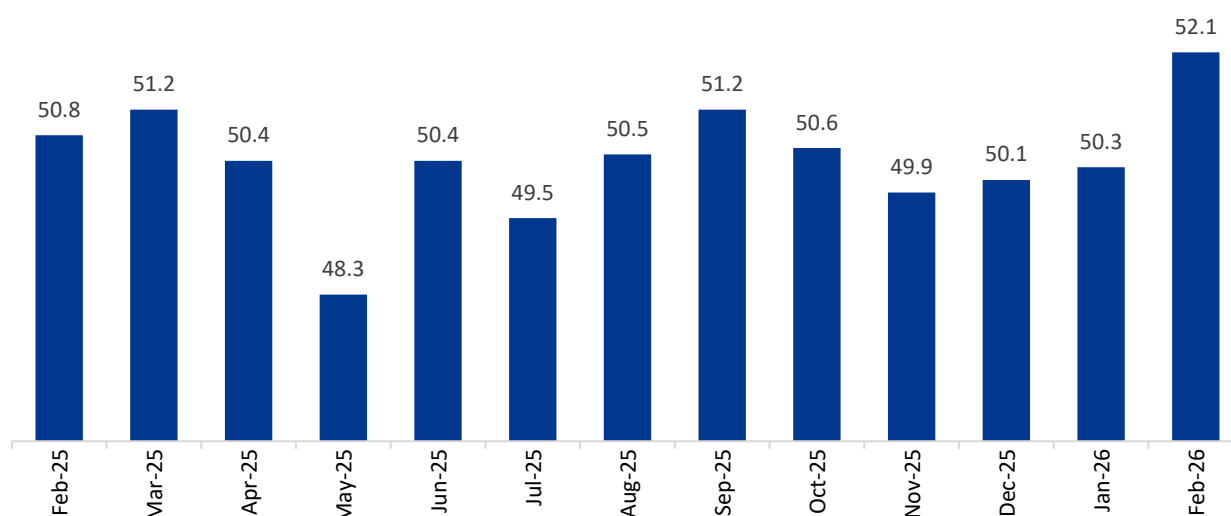
S&P Global Ratings has reaffirmed Oman's investment-grade 'BBB-' rating with a stable outlook, supported by strong fiscal and external positions, including substantial government assets and reserves. The agency expects moderate economic growth, improving debt metrics, and continued fiscal and current account surpluses over the medium term. The rating reflects confidence in Oman's ability to manage regional uncertainties, with potential for an upgrade if reforms progress and geopolitical risks ease.

## Global Economy

### China's manufacturing PMI recorded a strong rebound in February, owing to healthy demand

China's manufacturing activity strengthened in February 2026, with the headline PMI rising to 52.1 from 50.3 in January, indicating the strongest expansion in over five years, driven by robust growth in domestic and export demand. New orders increased at the fastest pace since December 2020, and output growth accelerated to the highest level since June 2024. Moreover, purchasing activity expanded at the fastest rate since November 2024, supported by stronger demand conditions. Input price inflation rose to a 44-month high due to increased raw material demand, whereas output price inflation increased at a slower pace, while employment levels remained broadly stable, and business confidence improved to an 11-month high. Manufacturers' confidence is boosted by strong demand, higher capacity and improved sales channels.

Figure 18: China Manufacturing PMI

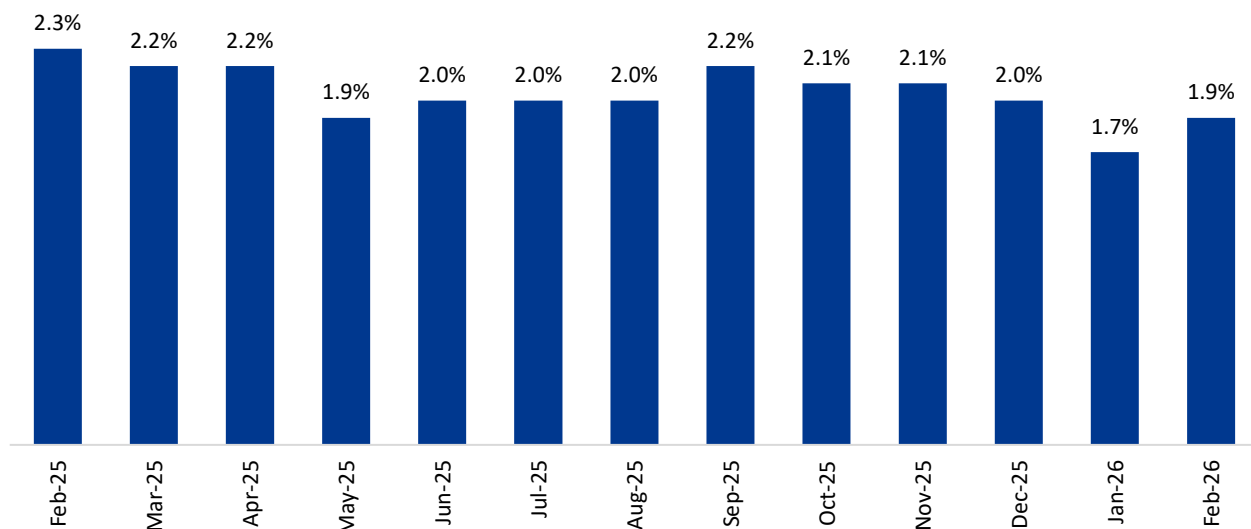


Source: CAPIQ

### Eurozone inflation rose to 1.9% YOY in February 2026, driven by higher services inflation

Eurozone inflation increased to 1.9% YOY in February 2026 from 1.7% in January 2026 owing to higher services, Food, alcohol & tobacco, and non-energy industrial goods. Services inflation recorded the highest growth at 3.4% in February 2026, followed by Food, alcohol & tobacco inflation of 2.5% in February 2026 compared to 2.6% in January 2026 and non-industrial goods inflation of 0.7% in February 2026 compared to 0.4% in January 2026. Energy prices declined 3.1% in February 2026 compared to a 4.0% decline in January 2026. Core inflation, which excludes the price of energy, food, alcohol and tobacco, also rose to 2.4% in February 2026, rebounding from January's more than four-year low of 2.2%.

**Figure 19: Eurozone Inflation (YOY)**

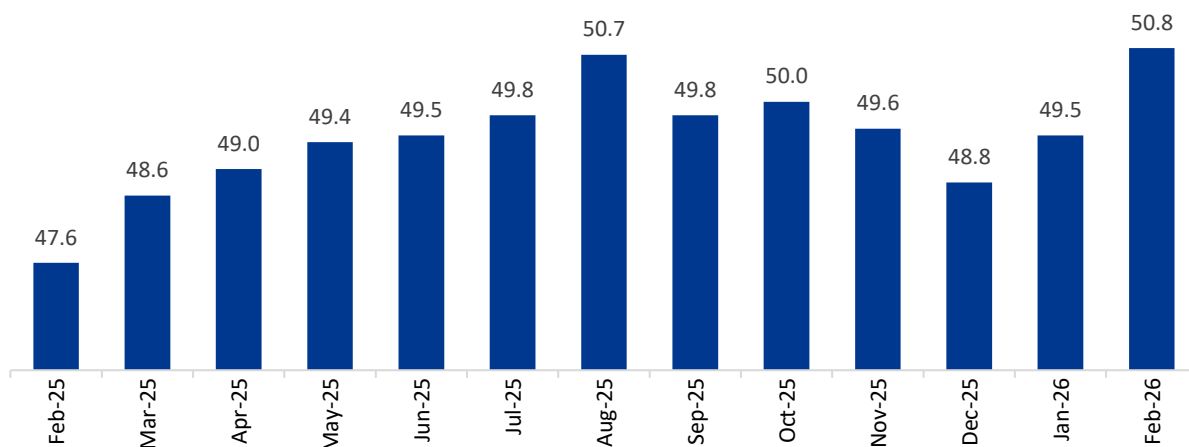


Source: CAPIQ

**Eurozone manufacturing PMI rose to 50.8 in February 2026, with an improvement in output and orders**

Eurozone manufacturing PMI increased to 50.8 in February 2026 from 49.5 in January 2026, marking the strongest improvement in operating conditions since June 2022. The expansion in the index is driven by a solid rebound in new orders, coupled with an increase in factory output and improved business confidence. The sub-indices recorded the strongest growth since April 2022. Export orders declined at the slowest rate in three months. However, employment continued to fall, and backlog reductions moderated. Purchasing activity stabilized, with the pace of decline slowing for a second consecutive month. Moreover, input cost inflation surged to a 38-month high, while output prices rose for a second consecutive month, marking the first back-to-back increase in nearly three years.

**Figure 20: Eurozone Manufacturing PMI**

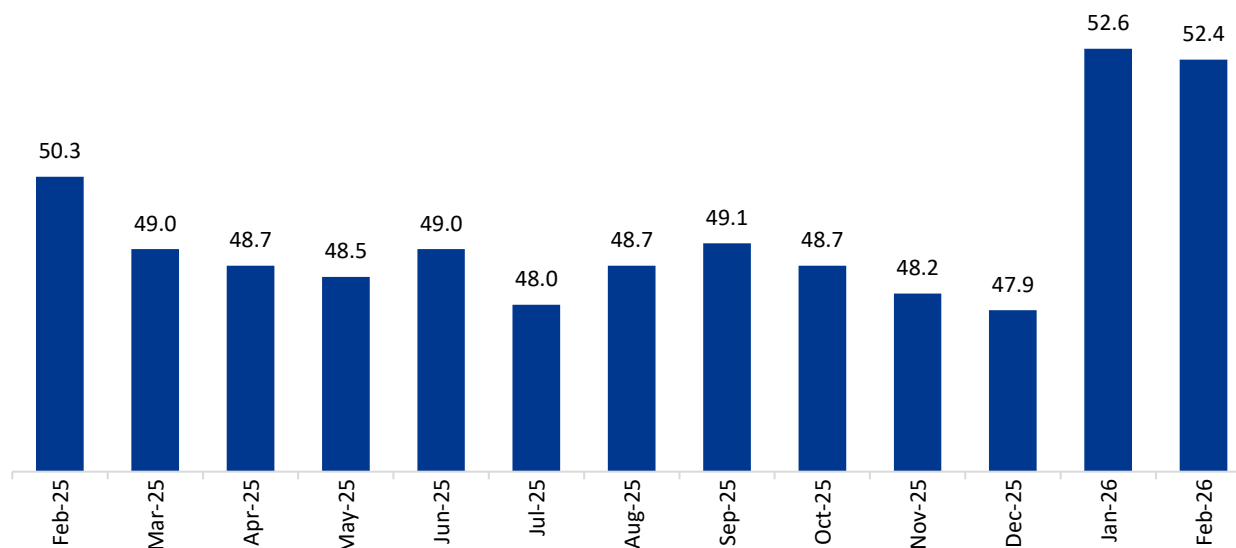


Source: CAPIQ

**US manufacturing PMI eased to 52.4 in February, owing to an increase in price pressure**

US manufacturing activity continued to expand but at a slower pace as the ISM manufacturing PMI eased to 52.4 in February 2026 from 52.6 in January 2026, while remaining above the 50 thresholds, indicating expansion. The moderation was attributed to slower growth in production and new orders, with the production index declining to 53.5 in February 2026 from 55.9 in January 2026, alongside the new orders index falling to 55.8 in February 2026 from 57.1 in January 2026. The employment index increased to 48.8 in February 2026 from 48.1 in January 2026; it remained below 50. The prices index rose to 70.5 in February 2026 from 59.0 in January 2026, reaching its highest level since June 2022, intensifying pricing pressure.

**Figure 21: US Manufacturing PMI**

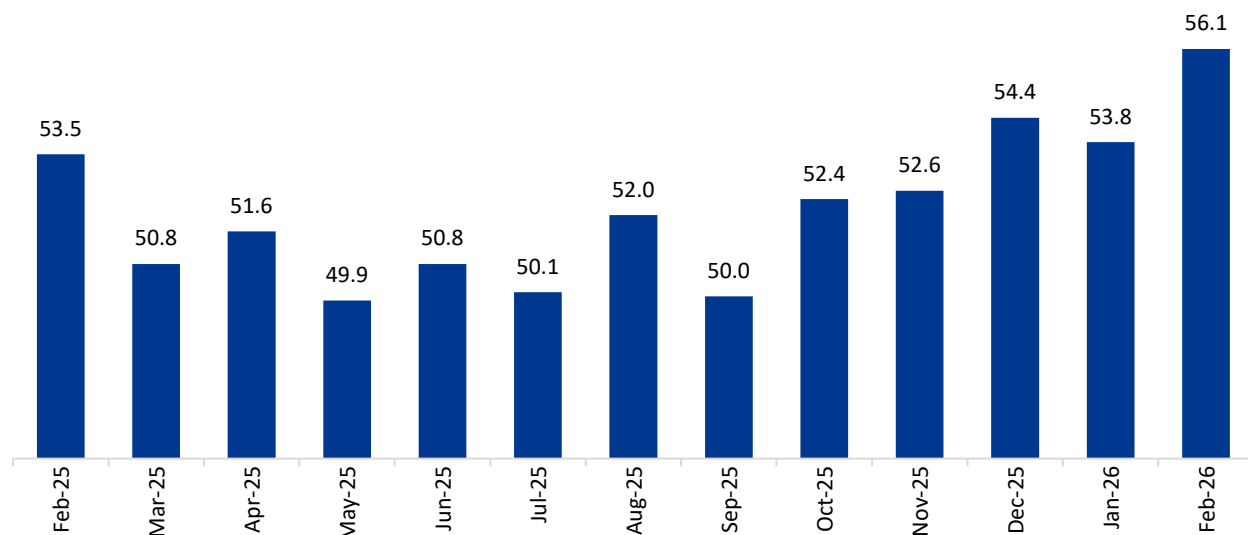


Source: CAPIQ

**US services PMI rose to 56.1 in February, marking the fastest expansion in recent years**

US services sector continued to expand in February 2026, with the ISM Services PMI rising to 56.1 in February 2026 from 53.8 in January 2026, marking its 20th consecutive month in expansion and the highest level since July 2022. The increase was attributed to stronger business activity, new orders and export demand. The business activity index rose to 59.9 in February 2026 from 57.4 in January 2026, alongside the new order index expanded to 58.6 in February 2026 from 53.1 in January 2026. The employment index rose to 51.8 in February 2026 from 50.3 in January 2026, while the supplier deliveries index eased to 53.9 in February 2026 from 54.2 in January 2026. In addition, all major sub-indices remained in expansion territory, reflecting broad-based strength. Despite this growth momentum the pricing pressure eased as the price fell to the lowest level in a year.

Figure 22: US Services PMI

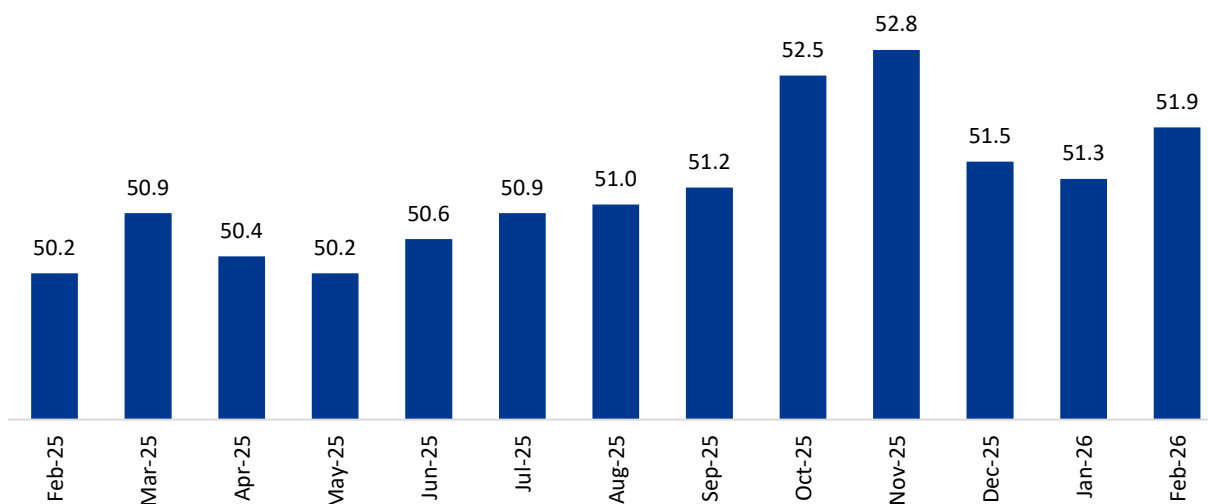


Source: CAPIQ

**Eurozone Composite PMI rose to 51.9 in February 2026, driven by stronger output and new orders**

The HCOB Eurozone Composite PMI Output Index rose to 51.9 in February 2026 from 51.3 in January 2026, reaching a three-month high and extending the private sector expansion to 14 months. The increase was attributed to stronger manufacturing and services output, particularly growth in domestic orders. Germany led the upturn among the Eurozone countries, while France stagnated. Despite steady expansion, employment remains unchanged, and backlog continues to decline, indicating spare capacity in the economy. Business confidence improved to the strongest level since May 2024, supported by rising optimism among manufacturers. While input cost inflation accelerated to the highest level since April 2023, with output prices rising at the strongest rate over the past year. Despite this service, inflation showed slight moderation.

Figure 23: HCOB Eurozone Composite Purchasing Managers Index (PMI)

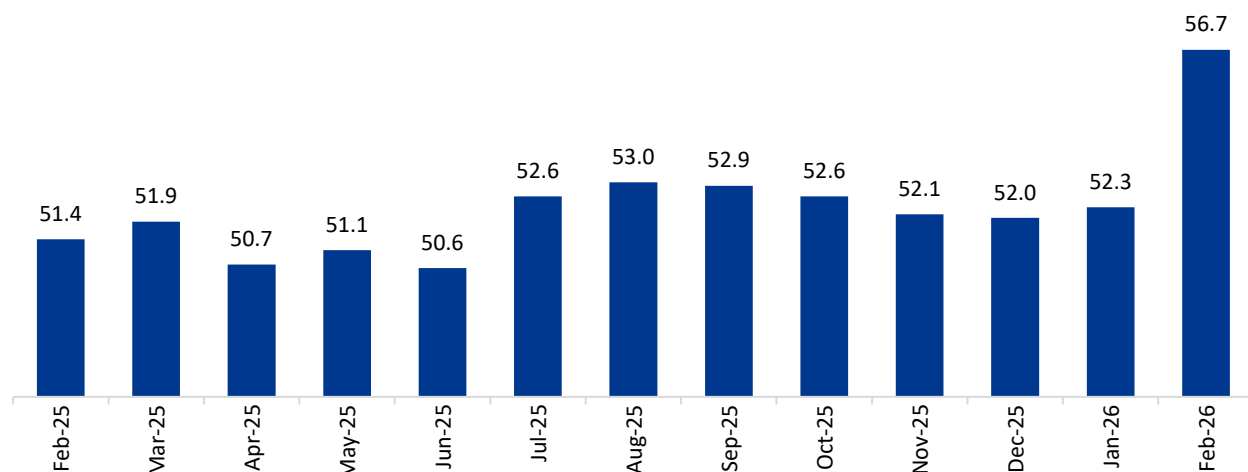


Source: CAPIQ

**China services PMI expanded despite cost pressure and job cuts**

China’s services PMI grew at the fastest pace in nearly three years in February 2026, with the index growing from 52.3 in January 2026 to 56.7 in February 2026 due to strong domestic and overseas demand, improved marketing efforts and higher tourism activity. The new business inflows expanded, and in addition, business confidence also improved, supported by a modest growth in backlog. Furthermore, the business sentiment improved on the expectations of continued demand growth. However, the Companies reduced headcount due to lower capacity utilisation, with a focus on cost control. The input cost pressure rose owing to higher wages and energy costs, which grew at a faster pace. To offset this pressure, the firm increased prices for the first time in three months, although inflation remains moderate.

Figure 24: China Services PMI



Source: CAPIQ

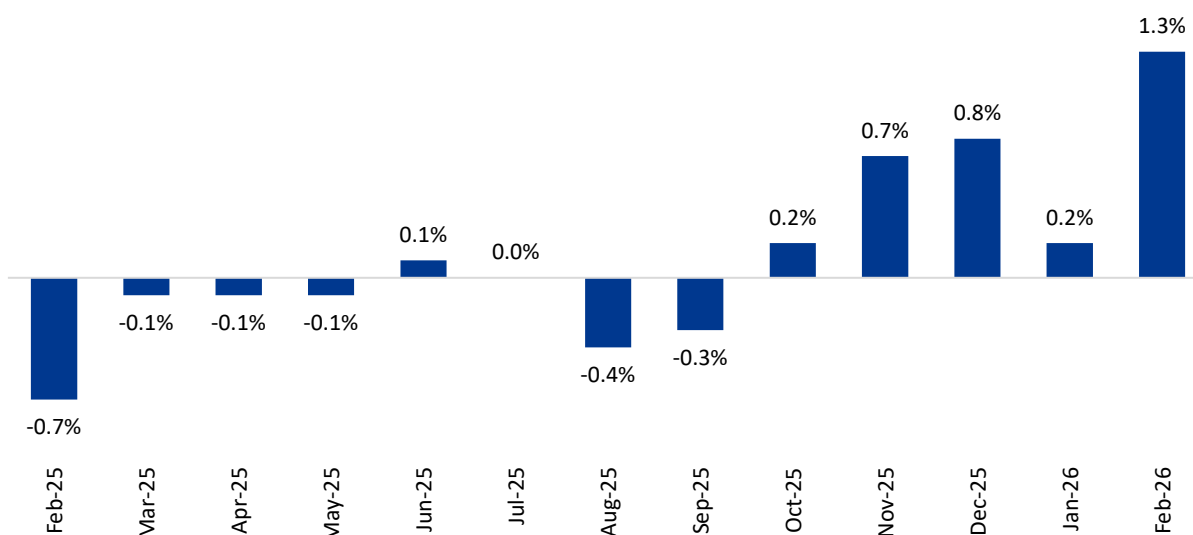
**China sets GDP growth target at lowest level since 1991**

China set its real GDP growth target at 4.5–5.0% for 2026, marking the lowest level since 1991, as authorities allow flexibility for structural adjustments amid global and domestic challenges. The growth target reflects a balance between achievable growth and structural adjustments amid limited reliance on aggressive stimulus. Inflation is projected to remain stable at around 2%. The policymakers remain focused on addressing issues such as industrial capacity, ageing population, weaker consumption and property sector challenges. Meanwhile, the upcoming five-year plans (2026–30) focus on high-quality growth, technological advancement, and strengthening the domestic economy while maintaining stability and security.

**China consumer prices rose 1.0% MOM in February**

China’s consumer inflation increased by 1.0% MOM and 1.3% YOY in February 2026, accelerating from 0.2% in January and surpassing expectations. The rise in inflation suggests demand-side pressure. Meanwhile, producer prices continued to fall and declined 0.9% YOY, marking a softer contraction compared to the 1.4% drop recorded in January.

Figure 25: China CPI (YOY)

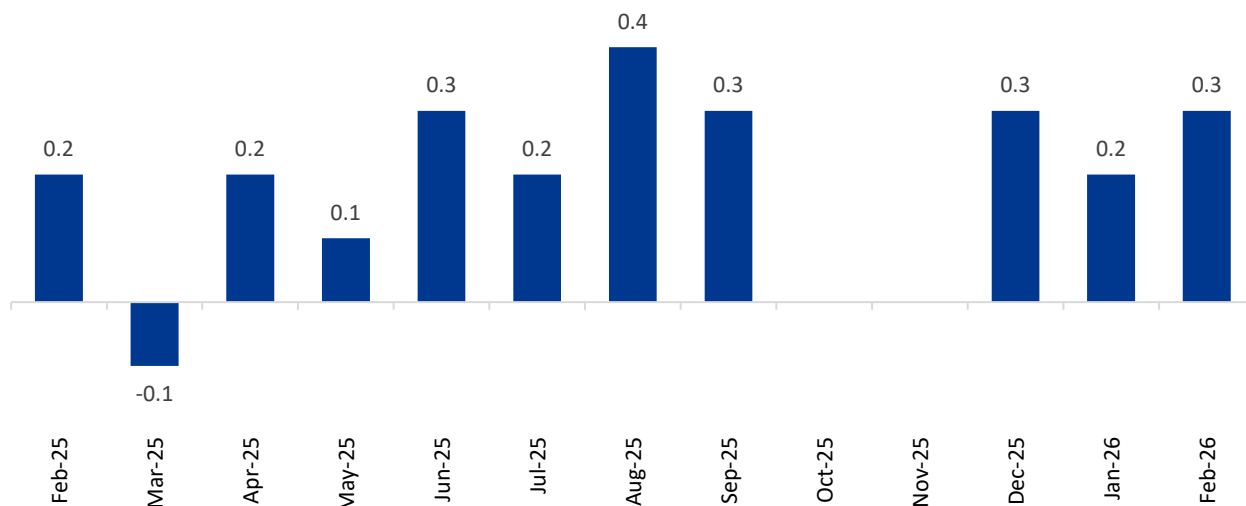


Source: CAPIQ

**US consumer prices remain steady on a YOY basis, but higher energy prices cloud the outlook**

US consumer prices increased by 0.3% MOM in February, up from 0.2% in January and in line with expectations. Annual inflation stood at 2.4%, unchanged from the previous month. The rise was partly driven by a rebound in energy prices, which rose 0.6%, along with a 0.4% increase in food prices. Core inflation, excluding food and energy, rose 0.2% MOM, easing from 0.3% in January, while the annual core rate remained steady at 2.5%. Price gains were supported by higher costs for housing, healthcare, and other services, although declines were seen in categories such as communication and used vehicles.

Figure 26: US CPI (MOM)

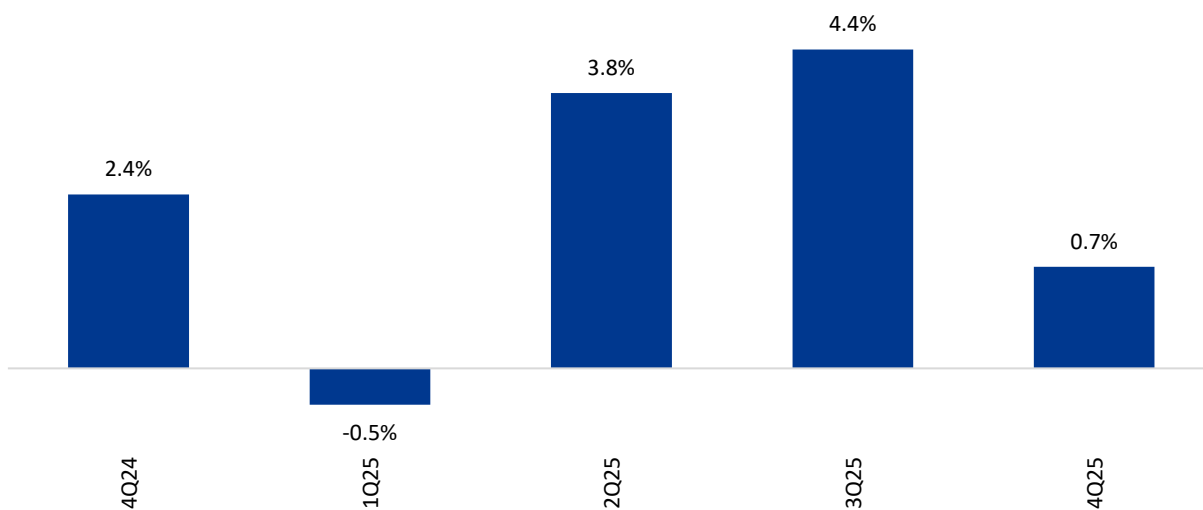


Source: CAPIQ, October and November 2025 US CPI was not published by the US Bureau of Labor Statistics (BLS)

### US economy expanded less than initially projected in 4Q25

US GDP growth for 4Q25 was revised down to 0.7% from an earlier estimate of 1.4%, indicating a notable slowdown from the 4.4% expansion recorded in 3Q25. The downward revision was driven by weaker contributions from exports, consumer spending, government expenditure, and investment. Compared to the previous quarter, the moderation in growth reflected declines in government spending and exports, along with softer consumer demand, partly offset by stronger investment activity. Meanwhile, inflation remained steady, with the PCE price index increasing 2.9% and core PCE at 2.7% in 4Q25.

Figure 27: US GDP Growth (YOY)



Source: CAPIQ

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